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The Honorable Les Aspin
Chairman, Committee on Armed Services
House of Representatives

The Honorable Sam Nunn
Chairman, Committee on Armed Services
United States Senate

This report discusses enlisted force management in the Department of Defense. We undertook this review because the high cost of maintaining a balanced and ready enlisted force underscores the need for efficient and effective management of these resources, particularly as the services transition to smaller forces. Specifically, the report covers how the Army and Air Force (1) manage the size and composition of their enlisted forces, (2) plan for enlisted force reductions, and (3) comply with enlisted force management requirements.

Please contact me at (202) 275-3990 if you or your staff have any questions concerning the report. Major contributors to this report are listed in appendix IV.

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Management Issues

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Executive Summary

Purpose

Direct costs for enlisted personnel, who comprise over 85 percent of the total U.S. active-duty military force, account for one-sixth of the annual defense budget. The high cost of maintaining a balanced and ready enlisted force underscores the need for efficient and effective management of these resources, particularly as the services transition to smaller forces. The Conference Committee on Department of Defense (DOD) authorizations expressed its concerns regarding this issue during its deliberations on the fiscal year 1990 defense authorization legislation, particularly its concerns related to undermanned units occurring as a result of a reduction in forces.

In view of budgetary pressures, potential troop reductions resulting from the Conventional Forces in Europe negotiations, and recent developments in Eastern Europe, GAO reviewed DOD's enlisted force management. GAO's objectives were to review how the services (1) manage the size and composition of their enlisted forces, (2) are planning for enlisted force reductions, and (3) comply with DOD requirements for enlisted force management. Because the Navy and Marine Corps did not maintain historical records of key enlisted force management data submitted to DOD, GAO only reviewed the Air Force and the Army.

Background

Enlisted force management generally involves developing short-range and long-range plans and policies for ensuring the appropriate mix of experience and expertise to fill approved manpower spaces. DOD guidance requires that the services establish and maintain an enlisted personnel management system. It further requires that the services submit, as part of their program review submissions, tables arraying the planned grade and years of service distribution of the enlisted personnel for a 7-year period and tables showing the gains, losses, and promotions planned to achieve these targets. These tables are known as program objective forces. DOD guidance also includes a number of constraints on the grade and experience composition of the program objective force.

Results in Brief

The Air Force and Army use a variety of tools to manage the size and composition of their enlisted forces, including accessions, promotions, and retention. Their most readily used tool is adjusting the number of new recruits. However, in anticipation of significantly larger future force reductions, both the Air Force and Army have been developing plans to expand the range of tools available to include controlling reenlistment levels and tightening the enforcement of standards.

In the fall of 1989, the Air Force and Army began forming long-range plans to examine the impact of various force reduction levels on the enlisted force. Air Force planners have been analyzing the potential impact of enlisted force reductions by fiscal year 1993 or 1995 of 135,000 to 151,500 below the fiscal year 1989 level. Army planners have been analyzing the impacts of a 130,000-reduction by fiscal year 1994 below the fiscal year 1990 amended budget level. The service enlisted force planning targets required by DOD evolved during the 1970s and 1980s from a long-term goal to a short-term projection; they are also subject to frequent adjustments to bring them closer to the anticipated force profile.

The Air Force and Army generally complied with most DOD enlisted force management requirements during fiscal years 1986 through 1989. However, GAO found that both the Air Force and Army exceeded the planning target for enlisted career personnel with more than 4 years of service. The increased number of career personnel is a measure of the growing enlisted seniority. GAO found that although DOD has attempted to constrain this growth by reducing service budgets through the budget review process, DOD has not established criteria for identifying the level of seniority needed.

GAO's Analysis

How the Services Manage Their Enlisted Forces

GAO examined data for fiscal years 1986 through 1989. In the last 3 of these 4 years, the Air Force and Army faced funding constraints and reductions in force size. To meet these constraints, the services reduced the number of personnel recruited and, to a lesser extent, accelerated the release of members already scheduled to leave the service. The services used these tools because these actions can be implemented quickly and are less disruptive to those members already in the enlisted force.

Although these tools have permitted the services to absorb funding and force size reductions in the past 3 years, the Air Force and Army recognize that managing possible future force reductions of greater size will require a wider range of force management tools, such as setting reenlistment targets, retraining in occupations with shortages, and increasing enforcement of standards. They anticipate focusing more attention on managing the career force in the future.

Planning Targets Became Short-Term Goals

The services' enlisted force planning targets developed in the 1970s were considered stable, long-term goals. However, during the 1980s, the military pay raises improved retention. This drove the services beyond their planning targets as more personnel wanted to remain in the service and the services allowed them to remain. The planning targets of the 1980s changed to a more short-term goal, adjusted frequently to reflect projections of the actual force levels based on historic retention patterns. The result of this evolution is that the target was adjusted to bring it closer to the projected profile rather than making policy and program changes to bring the profile closer to the ideal target.

Services Generally Complied With Guidance, but Exceeded Career Force Targets

GAO found that although the services generally met most of DOD's enlisted force management requirements, neither the Air Force nor the Army met the DOD constraint to restrict the number of personnel with more than 4 years of service to the level established in their planned targets. For example, the Air Force exceeded its planning targets by 4,369 personnel in fiscal year 1989 and the Army exceeded its planning targets by 18,071 personnel in fiscal year 1989.

To determine the cost of the disparity between the planned and actual enlisted force personnel levels, GAO adjusted the planning targets to reflect the fact that force levels in the Air Force and Army in fiscal year 1989 were 5,061 less than the planned levels at the time the targets were established. GAO calculated that fiscal year 1989 personnel costs exceeded the planned cost by a total of $73.9 million, $41.4 million for the Air Force and $32.5 million for the Army.

Recent Long-Range Planning Efforts

Both the Air Force and the Army have been analyzing the long-range impact of changes in enlisted personnel management. Air Force efforts have been two-fold. First, in late 1988, the Air Force began developing a proposal for some policy changes to the management of its enlisted force. For example, the Air Force planned to manage seniority in terms of longevity and grades. Second, beginning in September 1989, the Air Force began analyzing various reduced end-strength scenarios in conjunction with the planned enlisted force policy changes needed to accomplish the reductions. For example, an end-strength reduction of 151,500 might require the use of new tools such as separations based on the revised maximum number of years members may serve at grades E-4 through E-9 and constraints on reenlistments in specialties with surpluses.

Similarly, the Army's long-range planning efforts related to possible force reductions began in late 1988. The Army personnel community has been analyzing strength reductions related to the Conventional Forces in Europe negotiations since November 1988. More recently, due to the political changes in Eastern Europe, the Secretary of Defense directed the services to reduce their budgets. Accordingly, Army personnel planners have been conducting additional analyses on the long-range impact of further force reductions.

Recent DOD Efforts to Control Growth in Seniority

In the last three budget reviews, the DOD Comptroller has challenged the growth of enlisted seniority in service budget requests. For example, the Comptroller reduced the Air Force fiscal year 1991 budget request by $36.3 million based on disapproved planned seniority growth. In addition, DOD has focused its attention on managing enlisted seniority in recent force management guidance. However, it has not established criteria to determine the level of seniority needed to meet manpower requirements, given funding and force level constraints. Instead, it has designated the level in the approved budget as the baseline for managing enlisted seniority. Without criteria for determining the level of enlisted seniority needed, DOD may be limiting the effectiveness of its efforts to manage enlisted seniority.

Recommendations

To improve the management of enlisted personnel and reduce unplanned personnel costs, GAO recommends that the Secretary of Defense

- require the use of the planning targets as more stable, long-term targets,
- require the services to manage their enlisted personnel more closely to the planning targets, particularly with regard to career force limitation and provide written justification to support deviations, and
- develop guidance on determining the level of seniority needed for each enlisted grade.

Agency Comments

DOD generally concurred with the findings and recommendations in this report. DOD indicated that it plans to revise its enlisted personnel management guidance and require the services to develop long-range personnel management objectives in such areas as grade structure, career content, and promotions.

Contents

Executive Summary		2
Chapter 1 Introduction		8
	Background	9
	Objectives, Scope, and Methodology	11
Chapter 2 The Air Force and Army Enlisted Personnel Management Systems		13
	Force Management Tools	13
	How Reductions Are Accomplished	16
	Long-Range Planning Capability	18
Chapter 3 DOD Enlisted Force Management Requirements		21
	Program Objective Force Has Evolved Into a Moving Target	21
	Not Managing Within Targets Creates Cycles of Peaks and Valleys	22
	Compliance With DOD Enlisted Force Management Requirements	34
	OSD Is Revising Guidance on Enlisted Force Management	38
	Increased Enlisted Seniority and Its Costs	40
	Conclusions	42
	Recommendations	43
	Agency Comments and Our Evaluation	43
Appendixes		
	Appendix I: Air Force Enlisted Force Management Process	44
	Appendix II: Army Enlisted Force Management Process	46
	Appendix III: Comments From the Department of Defense	47
	Appendix IV: Major Contributors to This Report	61
Tables		
	Table 3.1: Evaluation of Compliance With Constraints in DOD Directive 1304.20 for Fiscal Years 1986-1989	35
	Table 3.2: Evaluation of Compliance With Requirements in DOD Instruction 1300.14	38
Figures		
	Figure 3.1: Comparison of Fiscal Years 1988-89 Air Force Objective Forces	23

Figure 3.2: Fiscal Year 1989 Air Force E-5 (Over/Under Objective Force) 24
Figure 3.3: Fiscal Year 1989 Air Force E-6 (Over/Under Objective Force) 25
Figure 3.4: Fiscal Year 1989 Air Force E-7 (Over/Under Objective Force) 26
Figure 3.5: Fiscal Year 1989 Air Force E-8 (Over/Under Objective Force) 27
Figure 3.6: Fiscal Year 1989 Air Force E-9 (Over/Under Objective Force) 28
Figure 3.7: Fiscal Year 1989 Army E-5 (Over/Under Objective Force) 29
Figure 3.8: Fiscal Year 1989 Army E-6 (Over/Under Objective Force) 30
Figure 3.9: Fiscal Year 1989 Army E-7 (Over/Under Objective Force) 31
Figure 3.10: Fiscal Year 1989 Army E-8 (Over/Under Objective Force) 32
Figure 3.11: Fiscal Year 1989 Army E-9 (Over/Under Objective Force) 33

Abbreviations

DOD	Department of Defense
GAO	General Accounting Office
OSD	Office of the Secretary of Defense
POF	Program Objective Force
POM	Program Objective Memorandum
TOPCAP 90	Total Objective Plan Career Airmen Personnel 90

Chapter 1

Introduction

For fiscal year 1991, the Air Force's and the Army's military pay requests for enlisted personnel were $13.2 billion and $17.5 billion, respectively. Direct costs for enlisted personnel, who comprise over 85 percent of total U.S. active-duty military forces, account for one-sixth of the annual defense budget. Current budgetary pressures, changes in Eastern Europe, and a possible major arms control agreement point to the likelihood of a reduced military force over the next few years. The high cost of maintaining a balanced and ready enlisted force underscores the need for efficient and effective management of its size and composition.

The Conference Committee on DOD authorizations expressed its concern on the issue of troop reductions in its report on the fiscal year 1990 defense authorization bill. The Committee directed the Secretary of Defense to make necessary manpower adjustments, but also to prevent a return to the substantially undermanned units of the late 1970s.

Current and projected cuts in the military services' personnel accounts have already prompted some force reductions. In fiscal year 1990, the Air Force plans to cut enlisted accessions by about 18,000 and seek about 5,000 volunteers for early release to cut end strength by about 23,000. The Army plans to cut active end strength by about 20,000 soldiers. To accomplish this decrease, the Army plans to reduce enlisted accessions by 18,600 and accelerate involuntary releases of "non-progressive"[1] enlisted soldiers. As of August 1990, the Air Force plans reductions of 13,464 enlisted personnel in fiscal year 1991, and the Army plans reductions of 14,973 enlisted personnel in fiscal year 1991. While the Department of Defense (DOD) has not yet approved force reductions beyond fiscal year 1991, Air Force planners have been analyzing the potential impacts of enlisted force reductions by fiscal year 1993 or 1995 of 135,000 to 151,500 below the fiscal year 1989 level. Army planners have been analyzing the impact of a 130,000-reduction by fiscal year 1994 below the fiscal year 1990 amended budget level.

The process of managing large reductions in enlisted strength presents several potential problems. First, cutting personnel funding without making programmatic changes in force structure may lead to undermanning. Second, absorbing end strength cuts primarily by reducing accessions can lead to future shortages of experienced personnel, raise the

[1]This term refers to soldiers who do not meet Army standards for progression in the areas of training, promotion, and retention. This term includes the categories of nonproducer and nonperformer.

average grade level and hence the cost of the reduced force, and drive up long-term retirement costs. Third, according to DOD officials, separating large numbers of enlisted personnel over a short period of time may dampen morale and make military service a less attractive option to what is already a shrinking pool of eligible recruits.

Background

In the late 1960s, military personnel planners began to recognize inadequacies resulting from what was then a free-flow personnel system, i.e., with uncontrolled reenlistments and a lack of career force objectives. They recognized that while the system was providing the number of people needed, it was not necessarily ensuring that the right kinds of people in the right grades and occupations would be available.

As a result of the recommendations of the Special House Subcommittee on Enlisted Promotion Policy Review, in early 1968 the Office of the Secretary of Defense (OSD) initiated a study aimed at developing a systematic procedure for reviewing and assessing annual service budget submissions for the top-six enlisted grades (E-4 through E-9). That effort, called the Top-Six Study, concluded that the long-range solution to enlisted force management problems hinged on a specification of personnel management objectives that considered both immediate operational needs and future force renewal considerations.[2]

In December 1968, OSD issued a memorandum containing enlisted force management guidance to the services. The guidance prescribed long-range systems aimed at assisting the services in attaining enlisted management goals, providing a basis upon which each service could justify top-six grade requests, and providing OSD with a procedure to review and assess them.

In October 1974, DOD Directive 1304.20 established a requirement for each of the services to develop enlisted personnel management systems. The intent of this directive was to increase the services' ability to identify and correct personnel imbalances and avoid the distortions of "peaks" (excesses) and "valleys" (shortages) in the grade and years of

[2]The military personnel system is essentially a closed system, with no lateral entry except for a relatively small number of prior service personnel reentering active duty. This means that personnel planners must not only consider the force needs of today, but also the force needs of the future. Therefore, for the force to be capable of renewing itself, accessions must be sufficient, given expected retention patterns, to ensure that enough trained career personnel will exist to meet the long-term staffing needs of the service.

service distribution of career enlisted personnel. These personnel imbalances can result from changes in requirements as well as changes in the recruiting and retention environments.

A key provision of DOD Directive 1304.20 requires each service to develop an objective force profile, a target distribution by years of service and pay grade for each occupational grouping in the force and for the enlisted force as a whole. The objective force profile was to serve as the basis for service force management actions and policies aimed at achieving it.

Department of Defense Guidance

In 1977, we issued a report on enlisted force management that cited large differences between program objective force (POF) profiles and the enlisted personnel levels, the need for improvement in OSD's capability to review service enlisted personnel management plans, and the lack of ways to measure the effectiveness of POFs on a cost-benefit basis.[3]

The current DOD Directive 1304.20, dated December 19, 1984, and Instruction 1300.14, dated January 29, 1985, provide the fundamental guidance to the military services on the policies, procedures, and reporting requirements for managing enlisted personnel. This guidance specifies the objectives and requirements for an enlisted personnel management system and an enlisted personnel management plan.

The directive sets constraints on the pay-grade mix and career content (personnel with more than 4 years of service) of the enlisted force and establishes broad goals related to recruitment, efficient use of personnel, career progression, force renewal, and specialty balance.

The instruction establishes specific requirements for an enlisted personnel management plan. This plan is to incorporate long-range personnel goals into the enlisted personnel management system and is to contain a 7-year POF profile and supporting analysis on the cost, methodology, and feasibility of transitioning to successive objective forces. The

[3]Urgent Need for Continued Improvements in Enlisted Career Force Management, (GAO FPCD 77-42, Sept. 29, 1977).

instruction requires the services to submit POFs to OSD with every program objective memorandum (POM) submission.[4] These plans and POFs provide OSD with the means to monitor the progress of the military services toward meeting the objectives of the enlisted personnel management system.

Since 1987, DOD has considered several alternatives to revising existing departmental guidance. The alternatives have focused on devising a standardized approach for controlling the combination of career and first-term personnel in the services' enlisted forces and managing military reductions. A February 1989 memorandum from the Deputy Secretary of Defense to the service secretaries directed each service to develop the necessary framework for explaining increases in enlisted experience profiles on the basis of cost- and combat-effectiveness and to justify changes in grade plans based on manpower requirements. It also directed the Assistant Secretary of Defense for Force Management and Personnel to develop a similar framework to supplement service conclusions. An August 24, 1989, memorandum from the Deputy Assistant Secretary of Defense for Force Management and Personnel provided that framework. Finally, OSD provided broad guidelines to the services on managing military reductions in a January 22, 1990, memorandum from the Deputy Secretary of Defense.

Objectives, Scope, and Methodology

Because of the potential troop reductions resulting from a major arms control agreement as well as other changes in the world political arena, we examined the services' management of their enlisted forces. Our objectives were to review how the services (1) manage the size and composition of their enlisted forces, (2) are planning for enlisted force reductions for each service, and (3) comply with DOD requirements for enlisted force management.

Because Navy officials did not maintain POF data for fiscal years 1988 and 1989 and Marine Corps officials did not maintain POF data for fiscal years 1987 through 1989, we limited our review to the Air Force and the Army. We interviewed key Air Force and Army officials to identify the functions of the principal offices involved in enlisted personnel planning, management, and reporting. To determine the extent of long-term

[4]As part of the Planning, Programming, and Budgeting System, DOD components develop proposed programs consistent with the Defense Guidance document on policy, strategy, force, resource, and fiscal guidance. These programs, expressed in the POMs, reflect systematic analysis of missions and objectives to be achieved and cover the budget year. It also covers the program period, which is 4 years beyond the budget year for cost and manpower, and 7 years beyond the budget year for forces

planning for force reductions, we interviewed and obtained documentation from Air Force and Army officials involved with modeling force reduction scenarios.

To assess compliance with DOD guidance, we reviewed service enlisted personnel management plans, compared program objective force profiles to enlisted end strength, and interviewed officials from the Office of the Assistant Secretary of Defense for Force Management and Personnel. We limited our assessment of the Army to fiscal years 1986, 1988, and 1989 because the Army did not maintain POF data for fiscal year 1987. We also obtained service data on accessions, losses, retention, promotion, and time-in-service objectives and compared these planning figures to actual figures. Because the DOD guidance only applies to service personnel planning for fiscal year 1986 and beyond and actual data through fiscal year 1989, we limited our evaluation to fiscal years 1986 through 1989.

To determine the cost of the disparity between the planned years of service distribution and actual distribution, we first adjusted the planned levels to reflect the fact that actual fiscal year 1989 force levels in the Air Force and Army were 5,061 less than planned. Using the most recent military actuarial model data available, we then applied a monetary cost to each enlisted grade and year-of-service level based on annual regular military compensation (basic pay plus allowances) and an estimate of current military retirement cost. This value was then multiplied with the number of personnel at each grade and year-of-service category to calculate the total expense of both the adjusted planned and actual distributions. This procedure was done separately for the two services.

We conducted our review from July 1989 through August 1990 in accordance with generally accepted government auditing standards.

Chapter 2

The Air Force and Army Enlisted Personnel Management Systems

The Air Force and Army enlisted personnel management systems are dynamic processes that involve several organizational components. They are linked to the determination of the number and types of jobs required to perform the service missions. They also comprise several analytical steps, including the use of computer models. The Air Force is currently planning some changes to its personnel management process.

Both services use their systems to manage their enlisted forces to satisfy force structure manpower requirements. A key component of the systems is the development of long-range planning targets (program objective forces). Appendixes I and II describe, respectively, how Air Force and Army manpower requirements and personnel plans are determined.

Force Management Tools

Force management tools fall into four categories: accessions, promotions, retention, and retraining. A key consideration in selecting an option is the amount of disruption it could impose on those already in the force. During the past 3 years, the Air Force and Army have relied primarily on reduced accessions to manage their force levels.

Accessions

The primary objective of accessions management is to meet current year requirements by recruiting new personnel to staff a high quality force. In the Air Force, the first consideration is to maintain approved end strength, thereby meeting readiness needs. Accessions must be based on projected losses, force size changes from the previous year, training capabilities, and costs. When reductions are necessary, Air Force personnel planners prefer to accomplish them through reduced yearly accessions and voluntary early release programs because these actions minimize the disruptive impact on those currently in the force.

According to Army officials, the Army currently has requirements for more noncommissioned officers than it has in the actual force. The difference between noncommissioned officer requirements and the actual personnel level will be reduced as noncommissioned officer requirements decline. Army personnel planners would reduce accessions until the revised noncommissioned officer requirement equaled the number in the current force.

Promotions

Promotions are used to fill vacancies in leadership/supervisory positions with competent and experienced personnel and provide a source of

motivation for personnel. A basic Air Force premise of enlisted promotions, for which the Army has no equivalent, is equal selection opportunity across occupational specialties. For each promotion cycle, the selection opportunity for all specialties is based on the total number of enlisted promotions divided by the total number of personnel eligible for promotion to that grade. The Air Force makes an exception to its equal promotion opportunity policy. In critical specialties with chronic shortages, promotion rates to grades E-5 to E-7 are 1.2 times the rate established under equal selection opportunity. According to Air Force officials, adjustment in promotion policy as a force management tool is regarded as a highly disruptive action and taken only when other actions are not sufficient.

In contrast to the Air Force policy of equal selection opportunity, Army promotion policy is a key force management tool because promotion opportunity can be adjusted by occupational specialty. Beyond grade E-4, Army promotions are based on vacancies in specialties rather than the total force and are controlled by adjusting the number of points needed for promotion. The Army believes that this has been a key factor in reducing noncommissioned officer imbalances at the military occupational specialty level. In fiscal year 1988, for instance, promotions into the top 5 grades were cut by 22,138 from the 1987 level (37 percent) to meet budget shortfalls. According to press accounts, Army officials believe that promotion slow-downs have a negative effect on morale and readiness.

Retention

Retention is a force management tool that allows the services to qualitatively screen and retain the number of trained personnel needed within the career force. Retention must provide an adequate level of senior enlisted noncommissioned officers and, at the same time, permit the accession level to support the career force over the long term.

The primary tool for realigning Air Force noncommissioned officers after their first enlistment is the Career Airmen Reenlistment Reservation System. The heart of the system is the career job reservation. Under this system, each individual determined qualified to reenlist must request a career job reservation in his or her specialty or apply for retraining in another specialty. Currently, 27 specialties (11 percent) have a constrained number of career job reservations; the remaining specialties have an unconstrained number of reservations. The Air Force periodically reviews the number of constrained career job reservations and revises it to meet changing requirements.

The Air Force also uses the selective reenlistment bonus program to realign noncommissioned officers. This program is designed to encourage retention in critical career specialties with serious and persistent shortages and high replacement costs. The need for these bonuses may be related to arduous duty conditions, high demand and salary levels for the specialty in the civilian sector, or relatively high grade/experience structures in the specialty. Beginning in July 1990, these bonuses, which are controlled by available funding, applied to about 68 career specialties (28 percent). As with the number of constrained career job reservations, the Air Force periodically reviews and revises the number of career specialties with bonuses as needed.

The Army's retention criteria is delineated in regulations on enlisted retention. The Army has specific criteria for reenlistment eligibility covering age, citizenship, trainability, education, medical and physical fitness, moral and administrative issues, and grade. Retention criteria can be made more stringent, restricting eligibility to reenlist and thereby absorb end strength reductions. For example, one program is designed to prevent soldiers in grades E-5 through E-9 from reenlisting unless they meet the performance standards. Reenlistments can also be controlled by more stringent enforcement of body weight standards for reenlistment and by reenlistment restrictions into overstrength specialties.

Retraining

Retraining allows experienced personnel to move laterally between occupational specialties to meet force structure requirements and to attain a balanced force by grade and specialty. The Air Force addresses skill imbalances through two retraining programs: noncommissioned officer retraining, which is part of the Career Airmen Reenlistment Reservation System, and lateral training. In the noncommissioned officer retraining program, volunteers are solicited from career fields with excess noncommissioned officers to retrain for specialties with shortages. If there is a shortage of volunteers, personnel are directed to retrain. Involuntary retraining is generally kept at the grade level of E-5 or below, but mission changes may require retraining at grades E-6 and E-7 as well.

The lateral training program is used for certain specialties that have few or no requirements at the lower grade levels. These specialties must be filled from other specialties by training individuals with the requisite rank, aptitude, qualification in specific feeder career fields, and/or general experience.

The Army controls a soldier's movement from one specialty to another through a process known as reenlistment/reclassification "in and out calls" by specialty. The Army disseminates a list each month that indicates the staffing level of all specialties as to shortage, surplus, or in balance. A soldier in a surplus specialty can select a shortage specialty from the list and request to be trained in the new specialty, provided the soldier meets the qualifications for the new specialty. A soldier who is not near the end of the enlistment period and desires training in a shortage specialty may request voluntary reclassification to the new specialty when the training is available. On the other hand, a soldier in a surplus specialty who is near the end of the enlistment period may reenlist to be trained in a shortage specialty, and then be reclassified in the new specialty.

In addition to this general process of retraining and reclassification, the Army has two other programs to use in balancing the enlisted force. The Bonus Extension and Retraining program allows eligible soldiers an opportunity to extend their enlistments to train in critical shortage specialties. Upon completion of the retraining, soldiers receive the selective reenlistment bonus and reenlist into the new specialty. Another program, FAST TRACK, allows the Army to identify soldiers in surplus specialties and offer them an opportunity to train in shortage specialties. In fiscal year 1987, 8,407 enlisted personnel were reclassified into new specialties. Of that number, 746 were involuntary reclassifications. As we reported in 1984,[1] the Army continues the practice of allowing first-term soldiers to reenlist into specialties with an overstrength.

How Reductions Are Accomplished

Both the Air Force and Army have a series of actions, any number or combination of which they can employ, depending on the size of the reduction needed. The larger the reduction, the farther down the list of actions the services must go and the greater the disruptive impact of the actions on the enlisted force.

When the services are faced with making a force reduction, personnel planners develop a list of actions available to accomplish the reduction. The list is forwarded for review and approval through the service chain of command. In the Air Force, this chain of command begins with the Deputy Chief of Staff, Personnel, who decides whether the dollar reductions should come just from the Military Personnel Account or also from

[1] Army Could Do More to Reduce Imbalances in Military Occupational Specialties, (GAO/NSIAD-84-20, Feb. 17, 1984).

other personnel-related accounts. This decision is forwarded to the Air Force Board Structure[2] for consideration and, finally, approval by the Secretary of the Air Force.

In the Army, the Deputy Chief of Staff, Personnel, translates the proposed reductions into proposed personnel actions. The proposed actions are reviewed and evaluated by the Program Budget Committee,[3] and the Select Committee,[4] and, finally, forwarded to the Secretary of the Army for approval.

The Air Force's force reduction actions are divided into three levels. Level 1 actions are the least disruptive to the enlisted force and include cutting the use of reservists, waiving the time-in-grade requirement for retirement, reducing the selective reenlistment bonus program, and releasing personnel ineligible for reenlistment[5] early.

Level 2 actions, viewed as being "highly" disruptive to the force, include (1) accelerating the release of personnel scheduled to separate within the same fiscal year, (2) reducing accessions, and (3) reducing permanent change-of-station moves. Level 3 actions, viewed as "very highly" disruptive, include (1) accelerating the release of personnel scheduled to separate in a later fiscal year, (2) instituting a reduction-in-force, and (3) freezing promotions.

In fiscal year 1988, the Air Force had to reduce end strength by 30,000 and cut $325 million by using level 1 and 2 options. End strength reductions have generally been accomplished through reducing accessions because level 1 actions are usually insufficient to achieve the needed

[2]The Board Structure is made up of the Air Force Council and the Air Staff Board. These bodies review major issues and programs, apply collective judgment, develop consensus, and make recommendations. They have no decision authority. The Air Force Council membership is drawn from functional staff at the Vice Chief and Deputy Chief of Staff level. The Council reports to the Chief of Staff. The Air Staff Board membership is drawn from functional staff at the directorate level. The Board reports to the Council.

[3]The Program Budget Committee is chaired by the directors for the Army budget and program analysis and evaluation and consists of officials responsible for programming and budgeting in the various Army staff agencies. The Committee oversees the programming, budgeting, and execution phases of the Planning, Programming, Budgeting, and Execution System and has both a coordinating and advisory role.

[4]The Select Committee is chaired by the Vice Chief of Staff of the Army and consists of heads of Army staff agencies and selected other general officers. The Committee helps senior leadership review, coordinate, and integrate planning, programming, budgeting, and execution system actions.

[5]Reenlistment ineligibility criteria are specified in Air Force regulations. Examples of some of the criteria are (1) denial of reenlistment for quality reasons, (2) absence without leave, (3) training or retraining refusal, and (4) separation for exceeding body fat content standards.

reductions. This tool is preferred because those currently in the force are not affected. Except for the fiscal year 1990 voluntary release program, the Air Force has not used level 3 actions in the last few years.

Factors outside the enlisted personnel management system can greatly influence which options are practical to use. For example, in 1988, the Intermediate Range Nuclear Forces treaty called for an Air Force reduction of personnel in Europe associated with the ground launched cruise missile program, to be phased in over 3 years. Another outside factor is a budget constraint on end strength and dollars. To meet fiscal year 1989 budget constraints, the Air Force took the primary actions of reduced accessions and early releases.

The Army's force reduction actions are divided into two categories, one for qualitative reductions and one for quantitative reductions. The qualitative reductions include (1) enforcement of reenlistment eligibility standards in terms of performance, education, and medical and physical fitness, (2) commander's bar to reenlistment, (3) qualitative management program, (4) adjustment of reenlistment ineligibility criteria, and (5) adjustment of grade E-5/E-6 promotion requirements. The quantitative reductions include (1) accession cuts, (2) waiver of remaining service obligations, (3) early transition programs, (4) competitive retention programs, and (5) a reduction-in-force.

According to Army officials, end strength and budget cuts imposed with little lead time force them to take actions that are more disruptive to the force, such as early separations and promotion slow-downs. Army officials also stated that better personnel planning can occur when cuts are tied to specific force structure changes and a specific time frame.

Long-Range Planning Capability

In the last few years, the Air Force and Army began analyzing long-range scenarios to determine the effects of budget cuts and force structure changes on the enlisted force. In March 1990, the Air Force approved a new process called the Total Objective Plan Career Airmen Personnel 90 (TOPCAP 90) to manage the size of the enlisted force in terms of longevity and grades. The Air Force has considered various reduced end strengths and the management tools needed to accomplish these reductions.

TOPCAP 90 reduced the maximum number of years a member may serve at some grades.[6] The Air Force also plans to manage personnel with 5 to 10 years of service through such actions as career specialty reservations, selective reenlistment bonuses, and retraining. TOPCAP 90 entails developing targets for each specialty, including reenlistment targets. This approach differs from the current approach of constraining reenlistments in specialties with grade overages to a fair share[7] of expected total reenlistments for the year. Another aspect of the plan is the development of promotion timing/opportunity objectives for each noncommissioned officer grade. The plan also establishes a minimum level of accessions needed to meet career entry flows to sustain the objectives while allowing for added retention incentives.

In mid-1989, while developing TOPCAP 90, the Air Force estimated that the Conventional Forces in Europe negotiations would involve a reduction of about 8,500 enlisted personnel. A strength reduction of that size would have been relatively easy to absorb through reduced accessions, and therefore did not warrant conducting long-range strength reduction scenarios.

Beginning in September 1989, Air Force personnel planners began analyzing various long-range enlisted force scenarios on a more frequent basis. They developed scenarios to analyze the potential impact of reductions of 135,000 to 151,500 below the fiscal year 1989 level. In addition, in November 1989, the Secretary of Defense directed the services to develop plans to reduce their budgets over the next 5 years in response to the rapidly changing political situation in Eastern Europe. The Air Force position in the current program objective memorandum review is to reduce the enlisted force by 80,000 to 90,000 personnel below the fiscal year 1989 level within the fiscal years 1993 through 1995 time frame.

The Army personnel community has been analyzing strength reduction scenarios relating to the Conventional Forces in Europe negotiations since November 1988 and, more recently, the political changes in

[6]To maintain a viable mixture of experience and youth in the force and avoid stagnation in the promotion system, the Air Force established high year tenure policies, covering enlisted grades E-4 through E-9 and specifying the maximum number of years a member may serve based on the grade attained. TOPCAP 90 lowered the maximum number of years personnel may serve at grade E-4 from 20 to 10, grade E-6 from 23 to 20, grade E-7 from 26 to 24, grade E-8 from 28 to 26, and grade E-9 from 33 to 30. There was no change for grade E-5, which is 20 years.

[7]Fair share is determined by the number of E-5 to E-7 authorizations in the specialty compared to all E-5 to E-7 authorizations across all specialties.

Eastern Europe. For example, personnel planners have used enlisted force management computer models to project the impact of force cuts on operating strength versus authorized strength, accession flows, and readiness.

Personnel planners indicated they have briefed the Army Chief of Staff, the Secretary of the Army, and the Assistant Secretary of Defense for Force Management and Personnel on how reductions ranging from 12,000 to 70,000 personnel through 1994 will be absorbed. According to Army officials, these personnel reduction plans will serve as the Army position for the program objective memorandum review.

Chapter 3

DOD Enlisted Force Management Requirements

The meaning and use of the term program objective force (POF) has changed from the 1970s through the 1980s. We found that the services were not fully complying with DOD guidance, particularly with regard to certain constraints on enlisted force seniority. In the late 1980s, OSD's review of service budget requests included actions to constrain the growth of enlisted seniority. In fiscal year 1989, however, we found that for one measure of enlisted seniority—the number of personnel with 4 or more years of service (career content)—the Air Force exceeded its planning target by 4,369 personnel and the Army by 18,071 personnel. We estimated that these additional career personnel increased actual personnel costs by approximately $73.9 million over the planned costs.

Program Objective Force Has Evolved Into a Moving Target

DOD issued enlisted force management guidance in 1974 and revised this guidance in 1984 and 1985 in a directive and an instruction. Both the earlier and the current guidance are generally consistent with regard to establishing enlisted personnel management objectives. They specify the minimum essential elements of a personnel management system and require the development of an enlisted personnel management plan designed to achieve a POF. However, we found that the meaning and use of the term program objective force has changed from the 1970s through the 1980s.

The DOD official with oversight and review responsibility for force management targets said that when the earlier version of the guidance was written, a POF meant a steady-state[1] objective. During the 1980s, the military pay raises improved retention. This drove the services beyond the POF targets as more personnel wanted to remain in the service and the services allowed them to remain. POF targets in the 1980s changed to a more short-term goal, adjusted frequently to reflect projections of the actual force levels based on historic retention patterns. In effect, the actual force level became the baseline the services used to develop their POFs based on projections about personnel gains and losses. This approach produced a series of different POFs each year, rather than a long-term, steady-state goal. The result of this evolution of the POF concept is that the target was adjusted to bring it closer to the projected personnel profile rather than making policy and program changes to bring the profile closer to the ideal target.

[1] A DOD enlisted personnel management instruction defines a steady-state objective force as an enlisted personnel force structure by grade and years of service to achieve long-term goals and missions and has the capability for orderly expansion or reduction.

For the 1990s, a DOD official said DOD will focus on a program objective force based on a consistent relationship between grade requirements, experience, and promotion timing, similar to the POFs of the 1970s.

To illustrate the annual fluctuation in POF targets, we compared the Air Force POFs for fiscal years 1988 and 1989. We converted the year-of-service targets to percentages of the total enlisted POF levels to adjust for the difference of 19,611 between the total POF strength levels in these years. Figure 3.1 illustrates the result of this comparison. The fact that the 1989 POF line drops below and rises above the 1988 POF line is more indicative of the peaks and valleys in the current force than a long-range goal or a shift in requirements. Further, the differences continue for 3 to 4 years, reflecting more the aging of the force levels without management intervention to lessen the peaks or valleys. If POFs represented more stable, long-range goals, we believe that differences from year to year would be relatively small and of shorter duration as management actions are taken to adjust to annual fluctuations in the recruiting and retention environments.

Not Managing Within Targets Creates Cycles of Peaks and Valleys

Some of the excess retention in particular years-of-service groups can be justified as necessary to cover shortages among preceding groups. However, retention beyond that necessary to cover past shortages actually creates future shortages. When the services retain personnel in excess of their objective force targets, they are forced to bring in fewer recruits to stay within their authorized end strength. Doing this continuously over a number of years can create a valley that will exist for a decade or more.

We compared the differences between the years-of-service objective force targets and the actual force level by enlisted grade for the Air Force and Army in fiscal year 1989 to present a clearer picture of the pattern of past service practices. For example, figures 3.2 through 3.11 illustrate the long-term impact on the enlisted force of the services' practice of expanding and contracting recruiting to meet personnel level constraints. This practice has produced a consistent pattern of peaks and valleys lasting from 9 to 16 years across enlisted grades E-5 through E-9.

Figure 3.1: Comparison of Fiscal Years 1988-89 Air Force Objective Forces

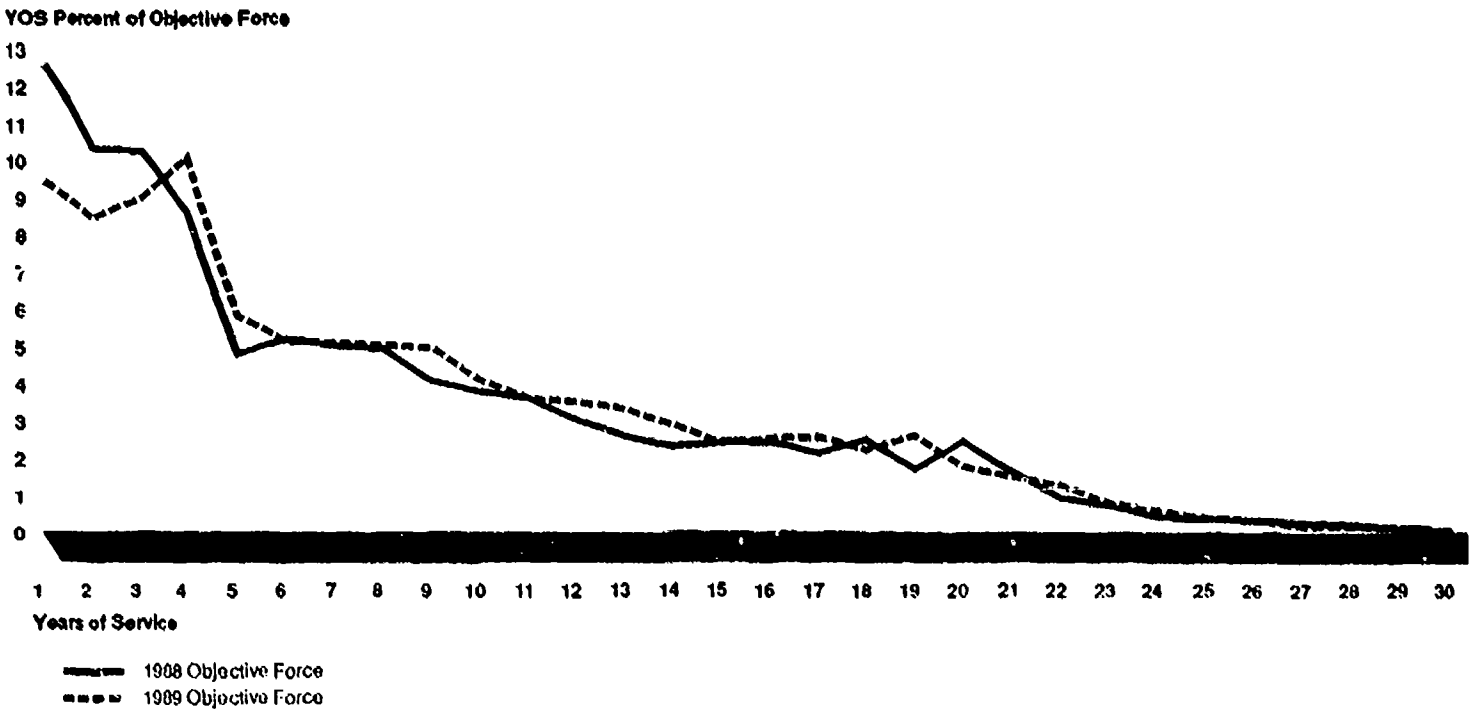


Figure 3.2: Fiscal Year 1989 Air Force E-5 (Over/Under Objective Force)

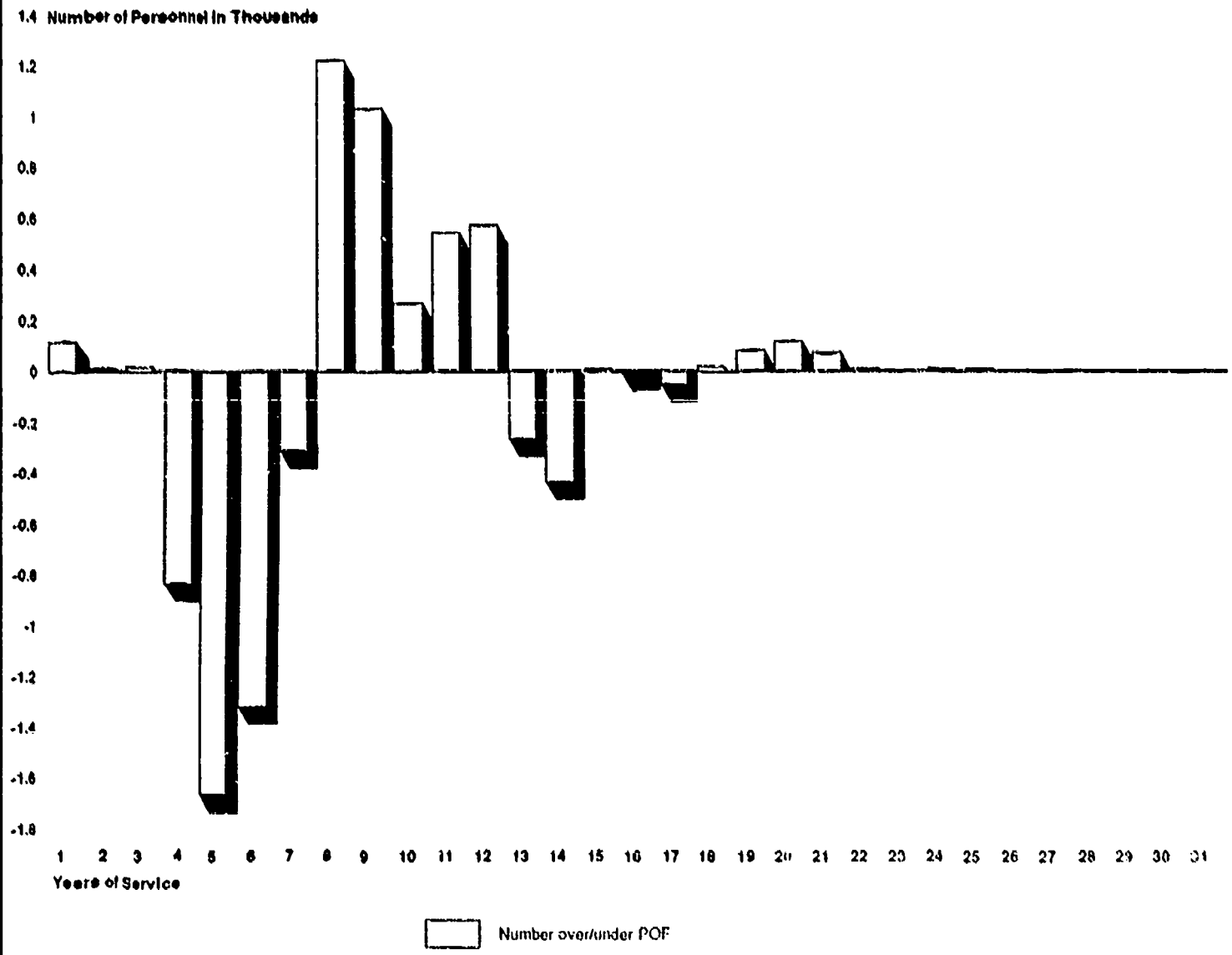


Figure 3.3: Fiscal Year 1989 Air Force E-6 (Over/Under Objective Force)

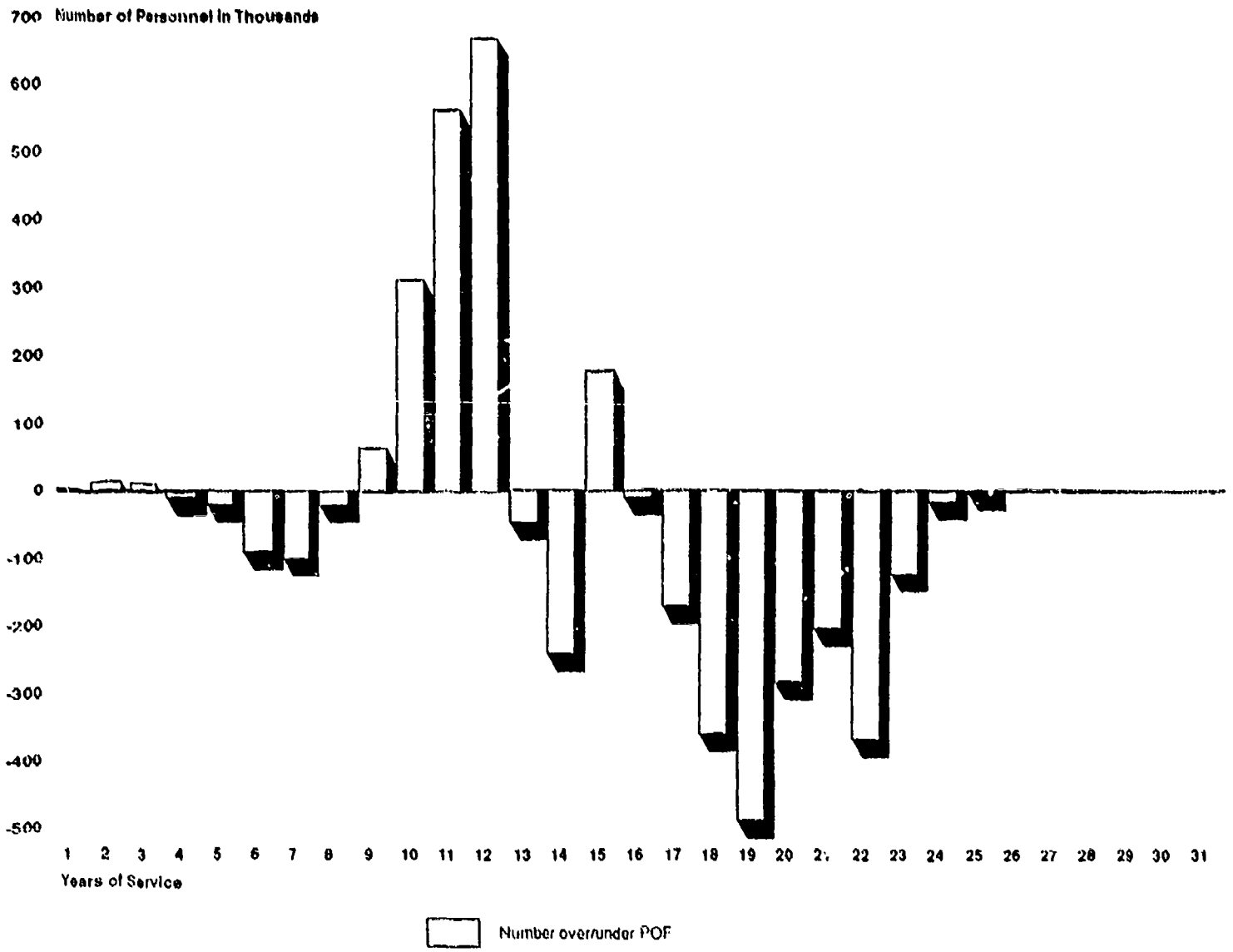


Figure 3.4: Fiscal Year 1989 Air Force E-7 (Over/Under Objective Force)

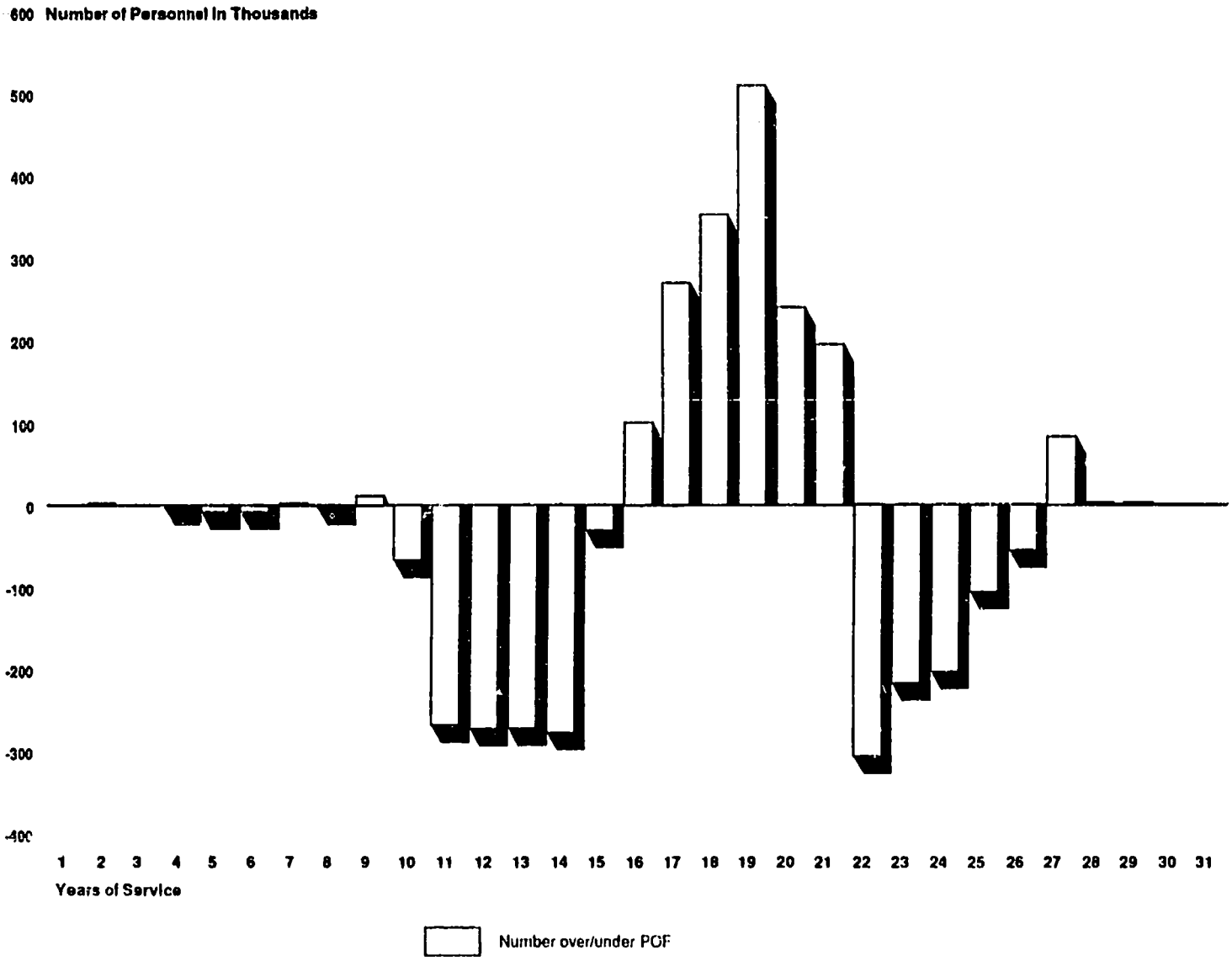


Figure 3.5: Fiscal Year 1989 Air Force E-8 (Over/Under Objective Force)

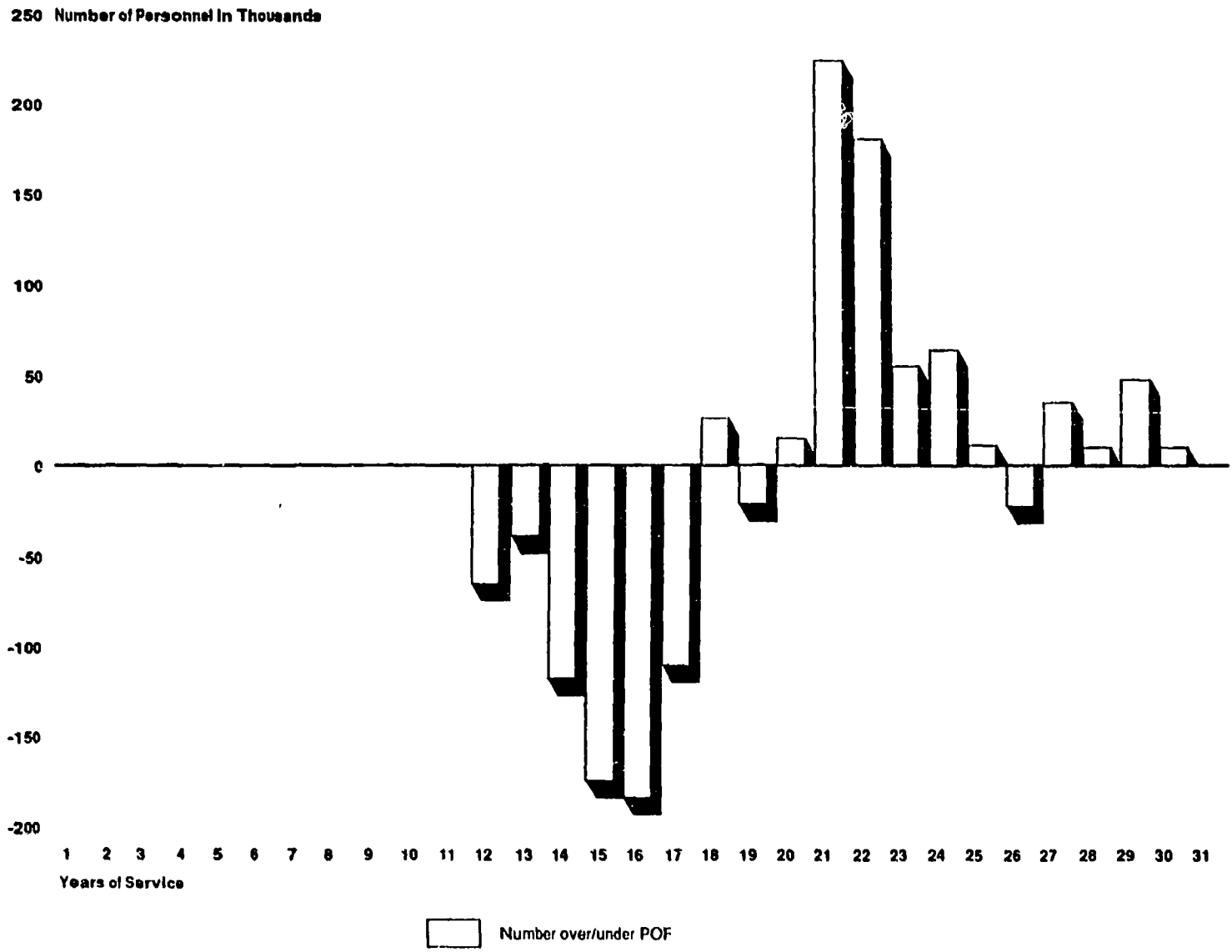


Figure 3.6: Fiscal Year 1989 Air Force E-9 (Over/Under Objective Force)

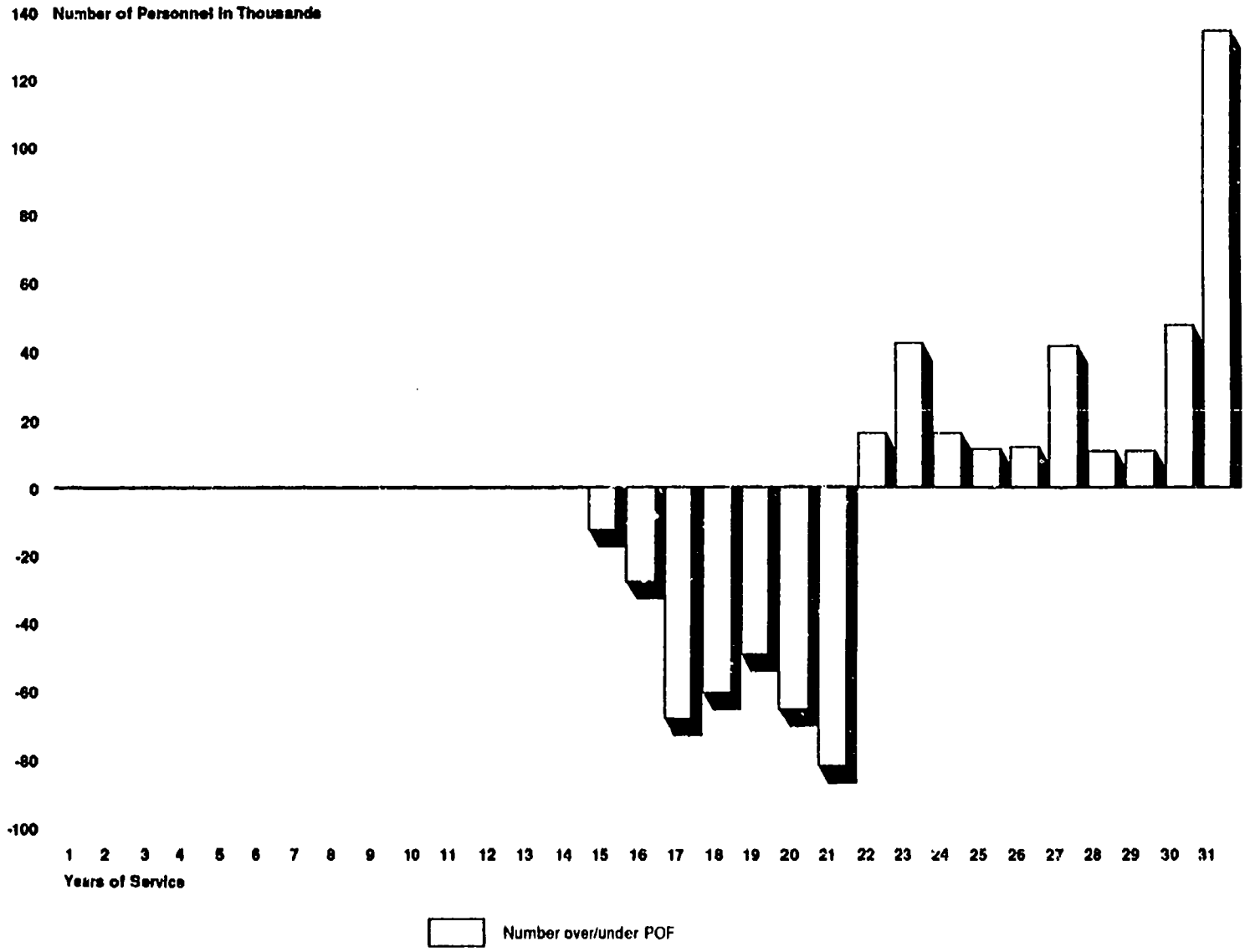


Figure 3.7: Fiscal Year 1989 Army E-5 (Over/Under Objective Force)

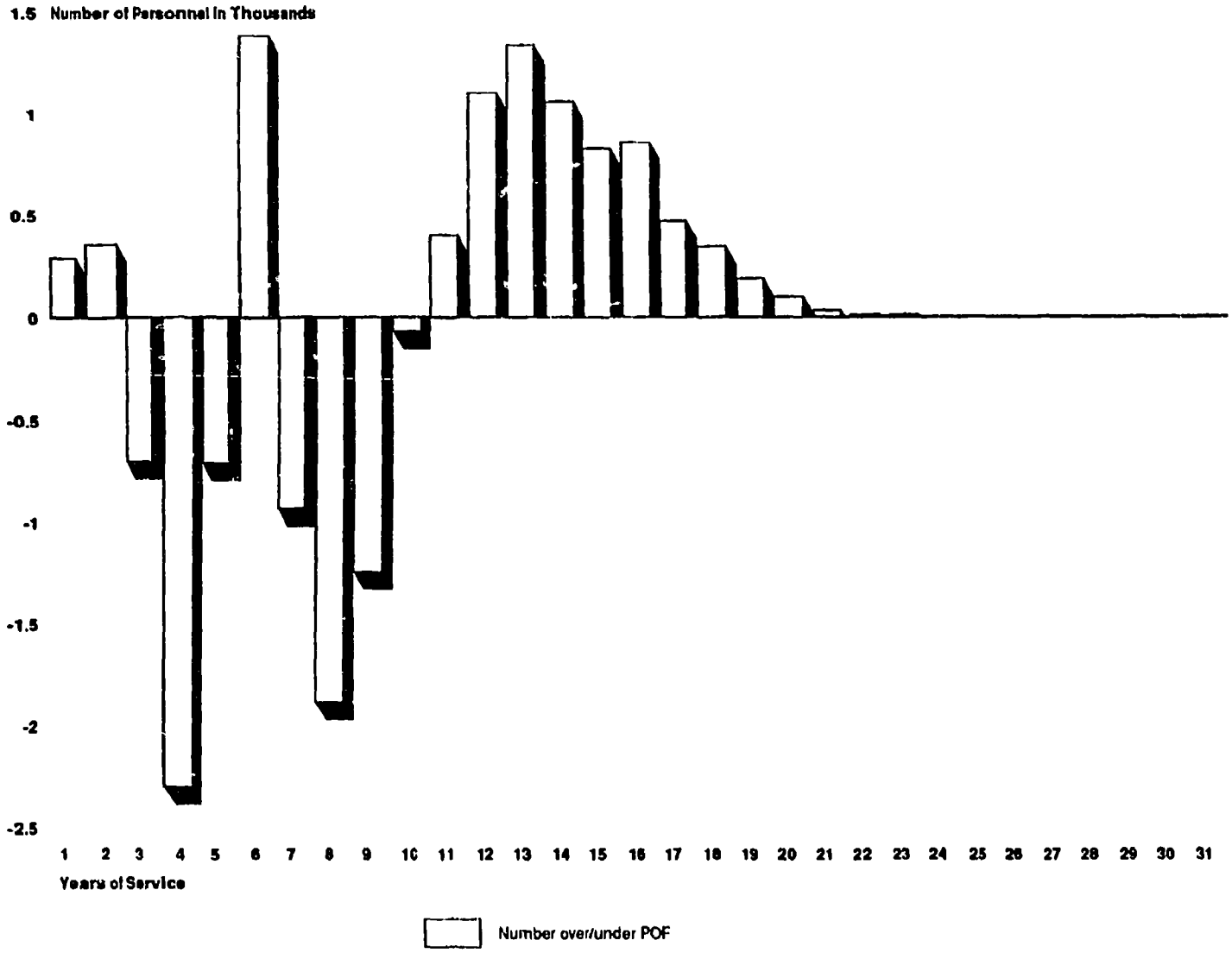


Figure 3.8: Fiscal Year 1989 Army E-6 (Over/Under Objective Force)

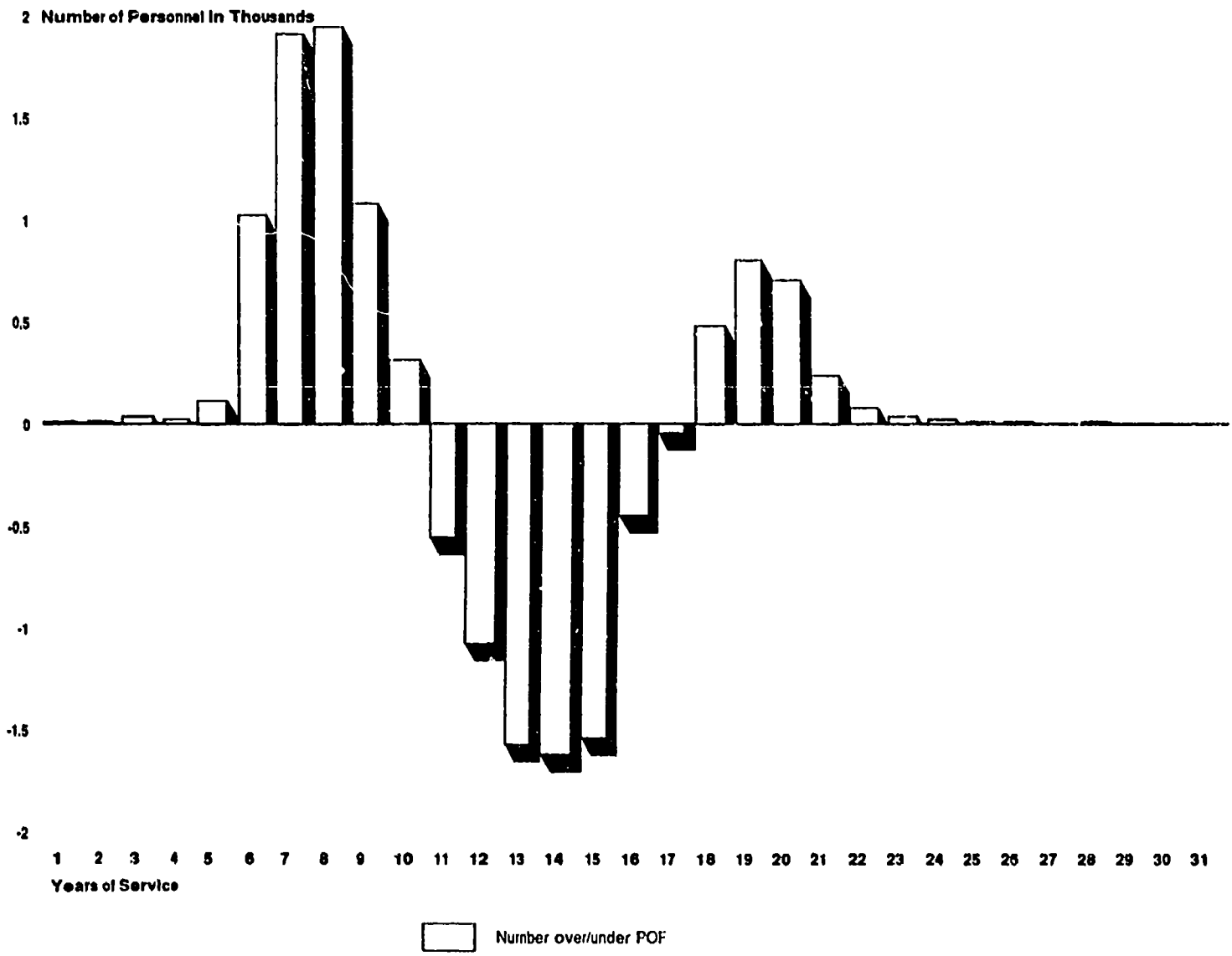


Figure 3.9: Fiscal Year 1989 Army E-7 (Over/Under Objective Force)

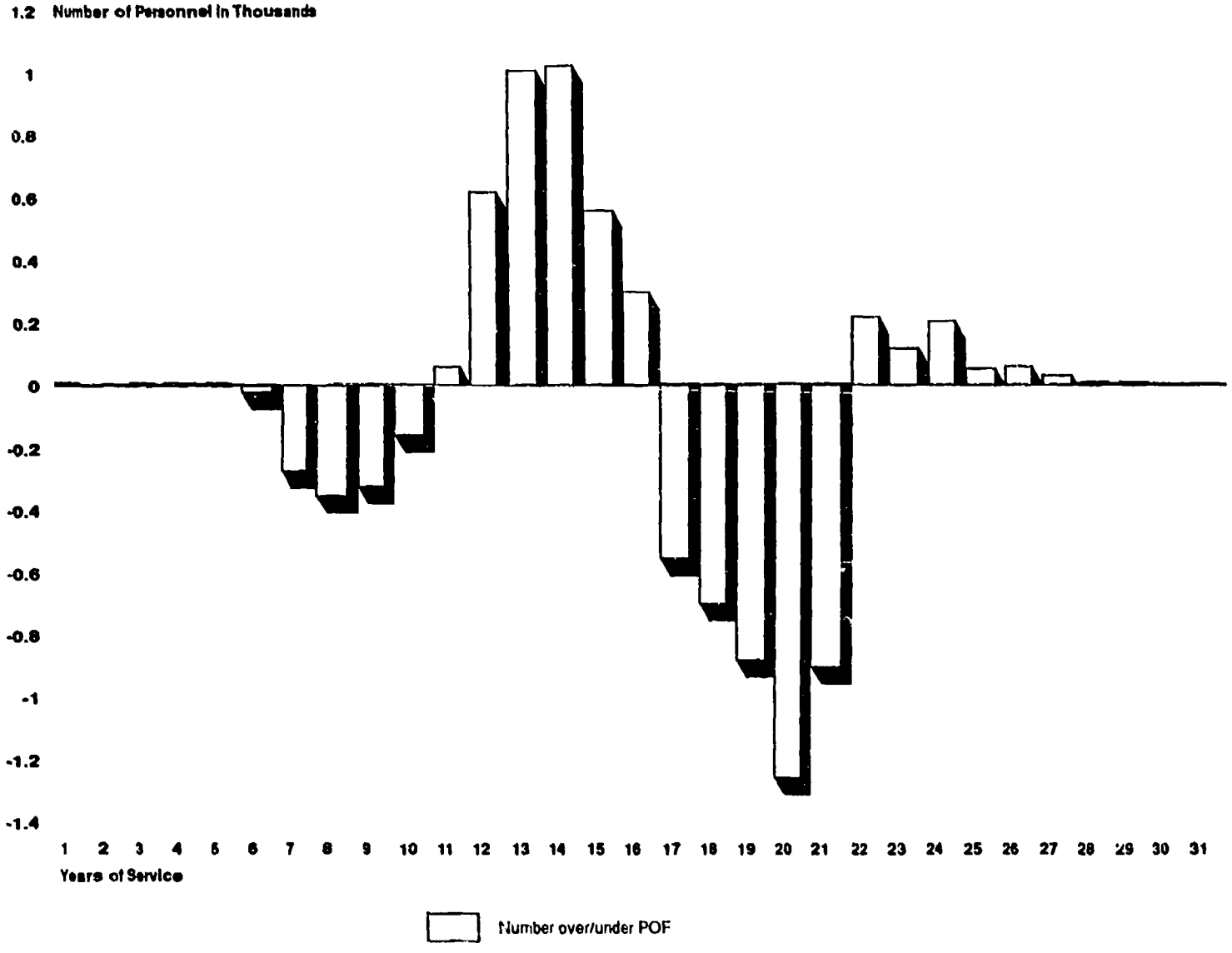


Figure 3.10: Fiscal Year 1989 Army E-8 (Over/Under Objective Force)

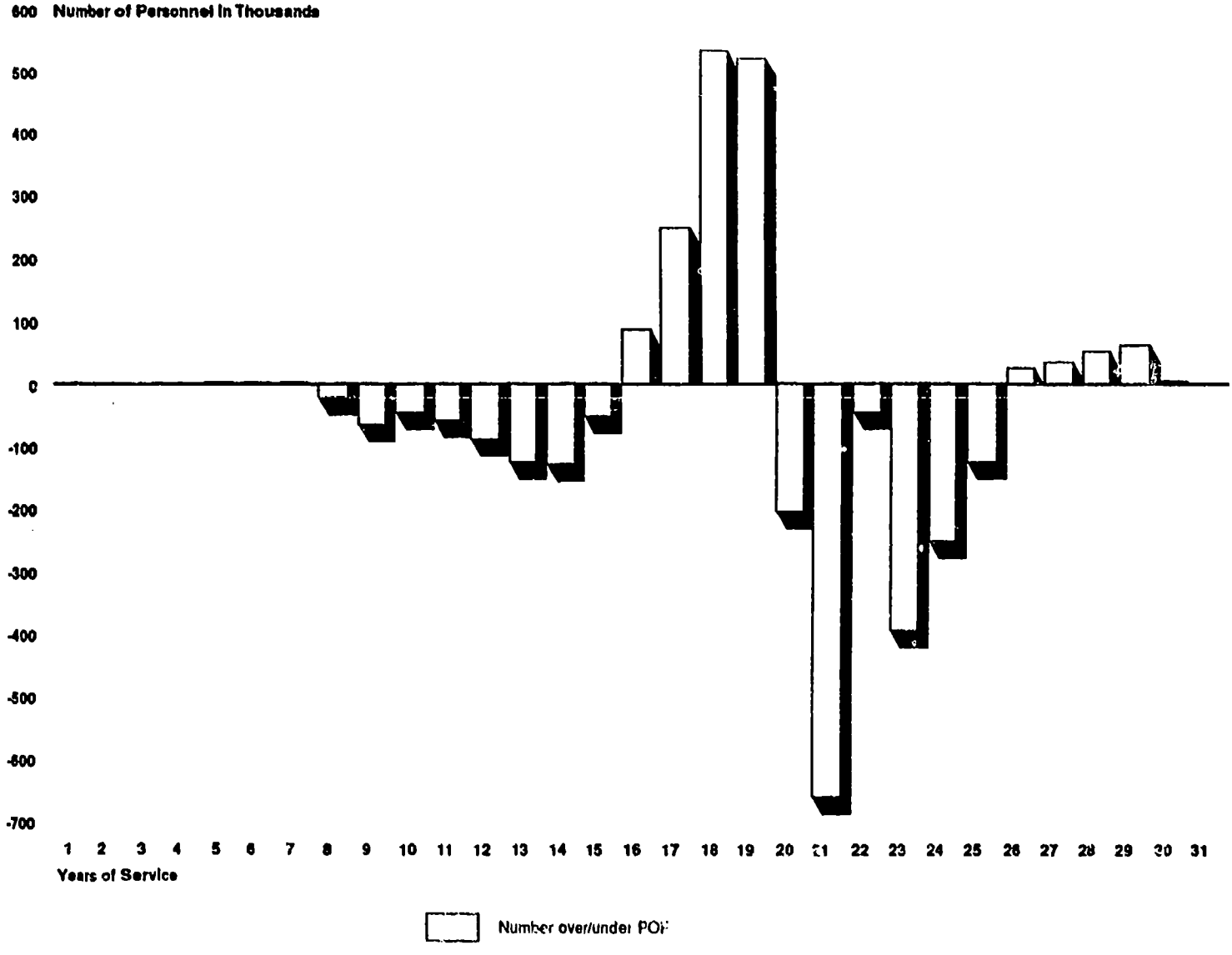
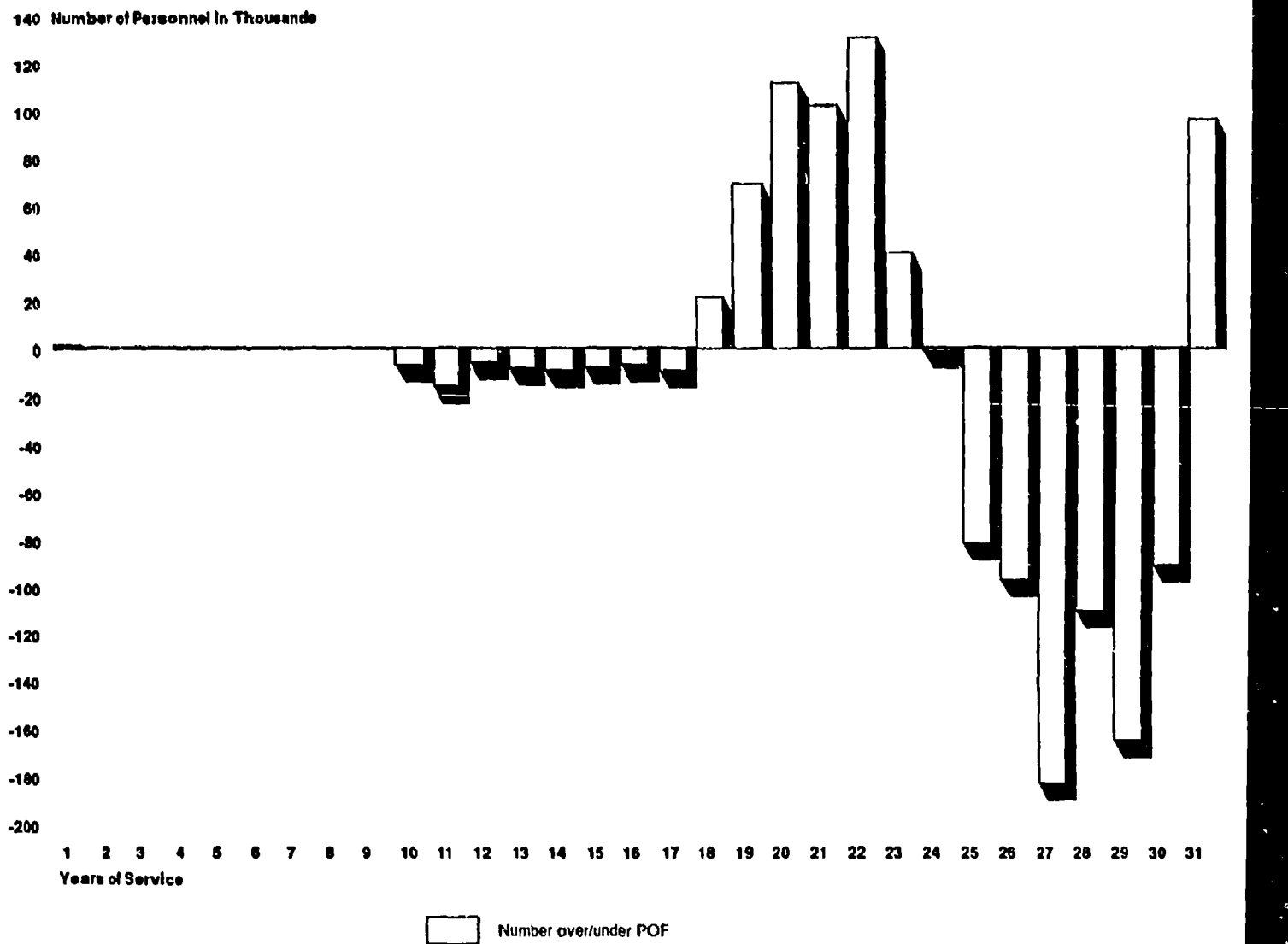


Figure 3.11: Fiscal Year 1989 Army E-9 (Over/Under Objective Force)



In summary, we recognize that some of the excess retention over objective force targets was an attempt to cover for shortages of more senior personnel. However, both the Air Force and the Army retained more junior career personnel than needed to cover those shortages, thereby reducing accessions and creating likely future shortages.

Compliance With DOD Enlisted Force Management Requirements

DOD Directive 1304.20 and Instruction 1300.14 establish a number of requirements regarding enlisted personnel management system constraints and minimum plan contents. In general, we found that the Air Force and Army complied with most of these requirements. However, both services consistently exceeded the constraints on enlisted force career content—i.e., the number of personnel with more than 4 years of service—without obtaining the required approval. According to an OSD official, OSD has resolved deviations through the budget review process by reducing service budget requests, rather than through the force management review process.

Constraints on Enlisted Personnel Management

DOD Directive 1304.20 establishes the following constraints on enlisted personnel management:

- Each program objective force shall reflect the personnel force size projected for the applicable year of the latest OSD-approved program objective memorandum.
- A maximum of 3 percent of the enlisted force may serve in grades E-8 and E-9, with no more than 1 percent serving in E-9 (10 U.S.C. 517).
- The top 5 and 6 enlisted grades[2] and personnel with more than 4 years of service shall remain at or below the number contained in the approved program objective force.
- The ratio of top 5 content to career content shall not exceed 1 to 1.

The directive also states that deviation from these constraints requires prior approval of the Assistant Secretary of Defense for Force Management and Personnel (formerly Manpower, Installations, and Logistics).

Compliance With Constraints

In assessing compliance with the directive, we reviewed the objective forces and corresponding actual force level statistics for fiscal years 1986 through 1989. However, we only compared the POF and POM prepared in 1986 because that was the only POM data available. A summary of our assessments of compliance with directive constraints on objective force targets and actual force levels is depicted in table 3.1.

[2]Top 5 and top 6 content refers to the actual or projected numeric or percentage content in the top 5 enlisted grades (E- 5 through E-9) or in the top 6 enlisted grades (E-4 through E- 9) to the total force.

Table 3.1: Evaluation of Compliance With Constraints in DOD Directive 1304.20 for Fiscal Years 1986-1989

Constraint	Air Force	Army
POF/POM consistency	no	yes
No more than 3 percent of enlisted force in grades E-8 and E-9	yes	yes
No more than 1 percent in grade E-9	yes	yes
Top 5 content at or below objective force	yes	yes
Top 6 content at or below objective force	no	yes
Career content at or below objective force	no	no
Ratio of Top 5 content to career content not to exceed 1	yes	yes

Note: POM and POF data were only available for fiscal year 1986.

Air Force Assessment

We found that in the aggregate, the actual end strength was close to the two planned levels only in fiscal year 1987. At the dissaggregate level, the Air Force had not met the constraints for POF/POM consistency, top 6 grade content, and career content. According to Air Force officials, different divisions, using varying assumptions, prepare the POF and POM schedules. They also said that they managed the enlisted force to the top 5 grade constraint, and considered both the top 6 grade and career content constraints obsolete to the way they managed the force during this time period. The top 6 grade constraint includes a large number of first-term airmen who are not part of the career force. OSD does not consider these constraints to be obsolete.

For grades E-5 through E-9, the differences between the POF and the POM were relatively small, 100 to 500 people. However, large differences occurred in grades E-1 through E-3 and E-4. In each of the fiscal years 1987-1989, the POF figure for grades E-1 through E-3 was above the POM figure by approximately 20,000. For the grade E-4, the POF figure was below the POM level by about 20,000. The Air Force POF and actual enlisted force statistics were generally within the guidance's constraints on E-8s and E-9s. However, for 1988, the actual number of E-8s and E-9s was .1 percent above the 3-percent constraint.

For the top 5 grades, the actual Air Force enlisted force level generally remained at or below the level in the POF.

For the top 6 grades, the actual Air Force enlisted force level was above the POF level in 3 of the 4 years. The differences were 6.1 percent in 1987, 2.2 percent in 1988, and 2.0 percent in 1989. Air Force officials indicated they considered the top 6 constraint obsolete during this time period.

For the career content, the actual Air Force enlisted force level was above the POF level every year except 1986. The differences were 12,084 (4.3 percent) in 1987, 8,885 (3.1 percent) in 1988, and 4,369 (1.5 percent) in 1989. Air Force officials said that they considered the constraint on career content obsolete because they only managed the constraints on the top 5 enlisted grades and on E-8s and E-9s during this time period.

For fiscal years 1986 through 1989, the Air Force ratio of top 5 grades to career content has been less than 1.0.

Army Assessment

We found that the Army had met all constraints, except for career content. According to Army officials, the growth in the career content of the force has been due to unusually high reenlistment rates, accession cuts, and a lower quality recruiting pool. Army officials do not believe that permitting reenlistments in excess of objective force goals while cutting accessions will create unmanageable peaks and valleys in the enlisted force profile.

The enlisted personnel profile in the Army's fiscal year 1988 through 1992 POM closely corresponds to the Army's program objective force for fiscal year 1986 in terms of aggregate strength and strength by grade. The enlisted profile in the Army's fiscal year 1990 through 1994 POM matches closely with the fiscal year 1989 POF. In the aggregate, total end strengths expressed in the POF are between 0 and 1 percent of those in the program objective memorandum.

For fiscal years 1986 through 1989, the number of personnel in grades E-8 and E-9 has been at or below 3 percent. The number of personnel in grade E-9 has been at or below .7 percent of the total force over the same period.

The percentage of personnel in the top 5 grades exceeded the number in the POF in fiscal year 1986 when end strength exceeded the POF target by .3 percent and in fiscal year 1989 by .2 percent.

The Army exceeded its POF target for the percentage of personnel in the top 6 enlisted grades by .9 percent in fiscal year 1988 and by .2 percent in fiscal year 1989. The actual career content exceeded the POF target in

fiscal years 1986, 1988, and 1989 by 3,640, 15,825, and 18,071 respectively.[4] For fiscal years 1986, 1988, and 1989, the ratio of the top 5 enlisted grade personnel to the career content was less than 1.

DOD Requirements for Enlisted Personnel Management Plans

DOD Instruction 1300.14 establishes guidelines for an enlisted personnel management plan. The minimum requirements for the plan are the following:

- a statement of purpose;
- a description and assessment of the current personnel force structure;
- a program objective force distribution by years of service and grade for the total force, each two-digit self-renewing occupational field[5] or non-self-renewing occupational field, and each specialty;
- an assessment of the feasibility of transitioning between successive annual program objective forces;
- an analysis of the methods and policies needed to transition between successive annual program objective forces;
- an evaluation of the grade and specialty match between the annual program objective forces and requirements; and
- cost comparisons.

The instruction lists the plan content requirements without definitions or descriptions of the listed items.

Compliance With Requirements for Plans

In determining compliance with the instruction's requirements, we reviewed the Air Force and Army plans submitted for fiscal years 1986 through 1989. We examined the contents of these plans for both explicit and implicit treatment of the required topics. A summary of our assessments of compliance with the plan content requirements is depicted in table 3.2.

[4]We limited our assessment of the Army to fiscal years 1986, 1988, and 1989 because Army POF data for fiscal year 1987 were not available.

[5]A self-renewing occupational field is an aggregation of related occupational specialties with the number of members in the under-4-years-of-service component sufficient to sustain the over-4-years-of-service component with minimum lateral movement from other occupational specialties.

Table 3.2: Evaluation of Compliance With Requirements in DOD Instruction 1300.14

Plan requirement	Air Force	Army
Statement of purpose	yes	yes
Description and Assessment of Personnel Force Structure	yes	yes
POFs	partial	yes
Transition feasibility assessment	partial	yes
Analysis of transition methods	yes	yes
Evaluation of match between POF and requirements	no	no
Cost comparisons	no	no

Air Force Assessment

We found that the Air Force had met five of the seven plan content requirements, three completely and two partially. The Air Force partially met the POF requirement based on the submission of only an aggregate POF, but no data at the occupation level for each of the 4 fiscal years. Further, the Air Force plan included a brief mention of transition associated with the POF, but not an assessment. However, it did not meet the requirements for an evaluation of the match between the POF and requirements and for cost comparisons. Air Force officials indicated that their POF does not contain the specialty level detail needed to evaluate the match between the POF and the requirements. They also stated that they do not have a costing capability to produce cost comparisons.

Army Assessment

We found that the Army had met five of the seven plan content requirements. However, as with the Air Force, it also did not meet the requirements for an evaluation of the match between the POF and requirements and the inclusion of cost comparisons. Army officials indicated that although they have the POF/requirements match information, they did not provide this information because OSD had not requested it. Similarly, Army officials stated that they have the capability to produce cost estimates of various POFs, but not to quantify the increased or decreased effectiveness of different force levels and costs.

OSD Is Revising Guidance on Enlisted Force Management

The Deputy Director for Enlisted Policy, Office of the Assistant Secretary of Defense for Force Management and Personnel, said that OSD is revising the enlisted force management guidance. Recent OSD emphasis on managing enlisted seniority and military reductions will be included in the revision.

Budget Process Enforcement of Guidance

According to the OSD official, his office was aware of the Air Force and Army deviations. He told us the deviations were challenged in the budget review process, rather than through correspondence with the services. Although he focused more on the top 5 enlisted grade content in his review, the DOD Comptroller does not consider the top 6 enlisted grade constraint obsolete and reduced the Air Force fiscal year 1991 budget submission by $38.2 million for its top 6 grade content.

Historical Record Retention

DOD was not able to provide historical records indicating service submission or OSD receipt of enlisted personnel management plans and POFs for each service for fiscal years 1986 through 1989. The OSD official commented that the current guidance does not require maintaining such historical records. However, he added that the revised guidance will require the maintenance of service plans and POFs.

Recent OSD Guidance

OSD is revising its guidance to the services on enlisted force management. According to the OSD official, the revised guidance will incorporate recent guidance on managing enlisted seniority and military reductions.

Recent OSD guidance to the services on managing enlisted seniority is contained in two memoranda. A February 22, 1989, memorandum from the Deputy Secretary of Defense directed each service to develop the necessary framework for explaining increases in enlisted experience profiles on the basis of cost-and combat-effectiveness and to justify changes in grade plans based on manpower requirements of the programmed force structure. The memorandum also directed the Office of the Assistant Secretary for Force Management and Personnel to develop a similar framework to supplement service conclusions.

An August 24, 1989, memorandum from the Deputy Assistant Secretary of Defense for Resource Management and Support provided that framework. The framework had two requirements. First, it required grade plan increases to be requirements-based, with the fiscal year 1990/1991 Amended Budget serving as the baseline. Second, it required experience profiles to be explained in terms of linkage between experience, promotion timing, and grade requirements, or in terms of cost-avoidance or cost-effectiveness.

OSD guidance on managing military reductions is contained in a January 22, 1990, memorandum from the Deputy Secretary of Defense. This

memorandum provided broad guidelines to the services in the development of their plans to implement manpower reductions. The following guidelines were included:

- In drawdowns, do not maintain force structure that cannot be sustained by available resources (i.e., hollow force units).
- Annual accession flows must be sufficient in quality and quantity to sustain future forces in a steady state.
- The service retention program must include (1) incentives to retain best performers, (2) lateral move and retraining options, and (3) procedures to involuntarily separate career service members.
- Timely promotion flow patterns must be maintained in remaining occupational fields to avoid promotion stagnation or an inexperienced career force.
- The investment in aviators and health care personnel must be protected.
- Members lost from the active force must be directed to the reserve force or civilian component whenever possible.

OSD is revising Directive 1304.20 and Instruction 1300.14 to incorporate the guidance in these memoranda. According to an OSD official, the revised guidance will also clarify the enforcement of compliance through the budget review process and a requirement to maintain historical records of enlisted personnel management plans and POF submissions.

Increased Enlisted Seniority and Its Costs

In 1973, the military draft ended and the All-Volunteer Force began. According to a 1987 Congressional Budget Office study, this development set in motion increases in military personnel costs in the 1980s and 1990s. First, military basic pay and related costs were substantially increased to attract sufficient numbers of young men and women to volunteer for military service. In preparation for the draft's end, the Congress nearly doubled the pay of entering recruits in 1971. Second, various cost elements, including pay, gradually increased as first-term personnel were replaced by senior members.

Enlisted seniority has been steadily increasing since fiscal year 1974. In recent years, the DOD Comptroller has reduced service manpower budget requests to restrain the growth of enlisted seniority. However, such actions appear not to have been altogether successful in curbing this growth. In 1987, we reviewed the growth in enlisted grade structures in

each service.[6] During the Vietnam era, the grade structure in DOD grew from about 53 percent in the top 6 enlisted grades in 1966 to over 65 percent in 1972. The proportion in the top 6 grades decreased rapidly from 1972 to 1974, but steadily increased since then to exceed the Vietnam era level.

In fiscal year 1985, 66.6 percent of the DOD enlisted force was in the top 6 pay grades, up 4 percentage points from fiscal year 1981. The cumulative cost of the increase in the top 6 enlisted pay grades from 1981 to 1985, excluding the effect of pay raises, was over $1 billion.

For the Air Force, 73 percent of the enlisted force was in the top 6 grades in fiscal year 1988 and 76 percent in fiscal year 1989, an all-time high. For the Army, the proportion of personnel in the top 6 grades was 72 percent in fiscal year 1988 and 71 percent in fiscal year 1989. Another indicator of the growth in enlisted seniority is the increased size of the career content of the force. During the 4 fiscal years we examined, we found for both the Air Force and Army that the number and proportion of career content personnel increased while the total end strengths decreased. For fiscal years 1986 through 1989, the Air Force career content increased from 58.6 percent in 1986 to 64.2 percent in 1989 and in actual personnel from 289,841 to 297,246, an increase of 7,405. During this period, the actual total enlisted force level went from a high of 495,244 in fiscal year 1987 to a low of 462,831 in fiscal year 1989, a decrease of 32,413. The Army career content increased from 45.4 percent in fiscal year 1986 to 49.8 percent in fiscal year 1989 and in actual personnel from 302,538 to 327,833, an increase of 25,295. During the same period, the actual total enlisted force level went from a high of 666,669 in fiscal year 1986 to a low of 658,321, a decrease of 8,348.

In 3 of the 4 years we examined, both services exceeded their planned objectives for career content. In fiscal years 1987, 1988, and 1989, the Air Force career content was above its planned objectives by 12,084, 8,885, and 4,369, respectively. During fiscal years 1986, 1988, and 1989, the Army career content was above its planned objectives by 3,640, 15,825, and 18,071, respectively.

When the actual career content exceeds the planned objective, this increases the personnel costs for military pay and retirement benefits. A more senior force brings higher current compensation costs, greater

[6]These results were discussed in a July 30, 1987, letter to the Secretary of Defense.

future retirement benefits payments, and increased current costs of certain benefits such as medical benefits and housing.

To determine the cost of the difference in the personnel distribution between the actual total enlisted force levels and the planning targets in fiscal year 1989, we adjusted the planned years of service distribution levels to reflect the difference of 5,061 personnel between the actual force levels and the planned force levels in the Air Force and Army. For fiscal year 1989, we estimated that the number of personnel above the planned objective increased actual personnel costs by $41.4 million for the Air Force and $32.5 million for the Army, for a combined total of $73.9 million. These cost estimates illustrate the short-term impact of reducing accessions to meet force level constraints at the expense of the long-term potential impact of allowing career content to grow.

Enlisted seniority in the Air Force and Army has continued to increase despite the DOD Comptroller's efforts to constrain it. OSD Force Management and Personnel has directed the services to change the way they manage enlisted personnel, particularly enlisted seniority. Essentially, the change will require the services to justify any changes from a base level in terms of cost- or combat-effectiveness. According to an OSD official, the Rand Corporation has developed a model that may assist the services in developing their POFs on a cost-effective basis. Although this change may constrain the services to the fiscal year 1990/1991 Amended Budget level and curb the growth of enlisted seniority, we are concerned that this baseline may not represent the most effective mix of junior and senior enlisted personnel since it was not based on an analysis of the most effective mix.

Conclusions

The Air Force and Army generally complied with the DOD enlisted force management requirements during fiscal years 1986 through 1989. However, we found that both the Air Force and Army exceeded the POF target for career content during this period at an additional cost of $73.9 million. This growth in career personnel is indicative of the growth in enlisted seniority that occurred throughout the 1980s. OSD has been attempting to constrain the growth through the budget review process, but has not established criteria to determine the level of seniority needed.

The POF, the keystone of OSD enlisted force management requirements, has undergone a change in meaning and use during the 1970s and 1980s. Although the POF was once a relatively stable long-term goal, it has come

to mean a short-term plan whose baseline is subject to frequent updates. We believe that the POF needs to be used as a target and that DOD should monitor and enforce constraints on the enlisted force structure, particularly the limits on the career force. We recognize that the services' current profiles evolved over a number of years and that it will also take some time to return to targeted levels. Until DOD planners determine the size and structure of the post-cold war force, care should be taken to avoid cutting too deeply into the skilled portions of the force that would be needed for mobilization.

Recommendations

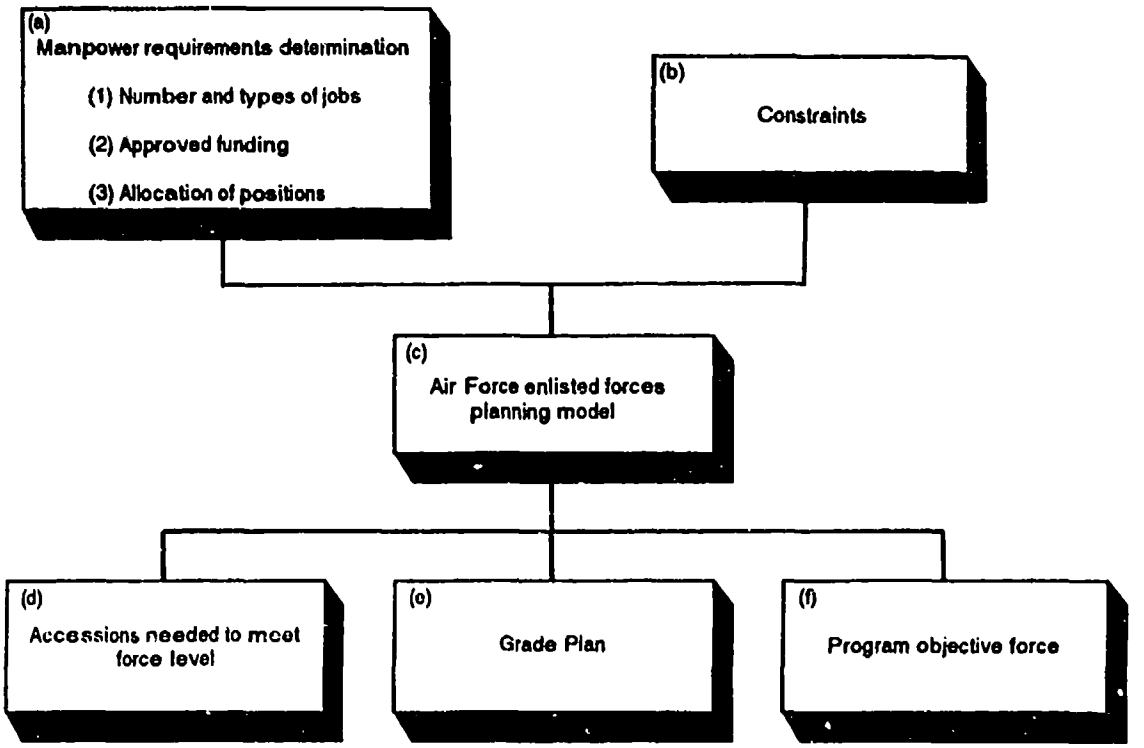
To improve the management of enlisted personnel, we recommend that the Secretary of Defense

- require the use of the objective force as a more stable, long-term target,
- require the services to manage their enlisted personnel more closely to the program objective force target, particularly with regard to the career force, and provide written justification when deviations are necessary, and
- develop guidance on how to determine the level of seniority needed.

Agency Comments and Our Evaluation

DOD generally concurred with our findings and recommendations. (See app. III.) DOD commented that it plans to address our recommendations in the planned revision of DOD Directive 1304.20 on enlisted force management. The Department intends to require the services to develop a set of long-range personnel management objectives in areas such as grade structure, career content, and promotions in addition to the current grade and years-of-service profile of the enlisted objective force. DOD does not intend that these objectives be used as steady state objectives. Further, each service will be required to establish personnel management objectives within 1 year of issuance of the revised directive. DOD commented that it plans to require the services to develop long-range personnel objectives in select areas. It has also been reviewing force requirements and reduction implications as part of the Total Force Policy study and the Decision Planning and Review Board process and plans to achieve reductions through both reducing accessions and increasing separations.

Air Force Enlisted Force Management Process



[a] The Air Force process involves determining the size and structure of the force, deriving the associated manpower requirements, obtaining the necessary resources through the budget process, and allocating approved manpower authorizations. The primary offices participating in this process are the deputy chief of staff for programs and resources, the deputy chief of staff for personnel, and the major commands.

[b] Factors that constrain the Air Force's personnel planning efforts are limitations on funding, grade, occupations, authorized strength, current force level, personnel policies, and other congressional and DOD limitations.

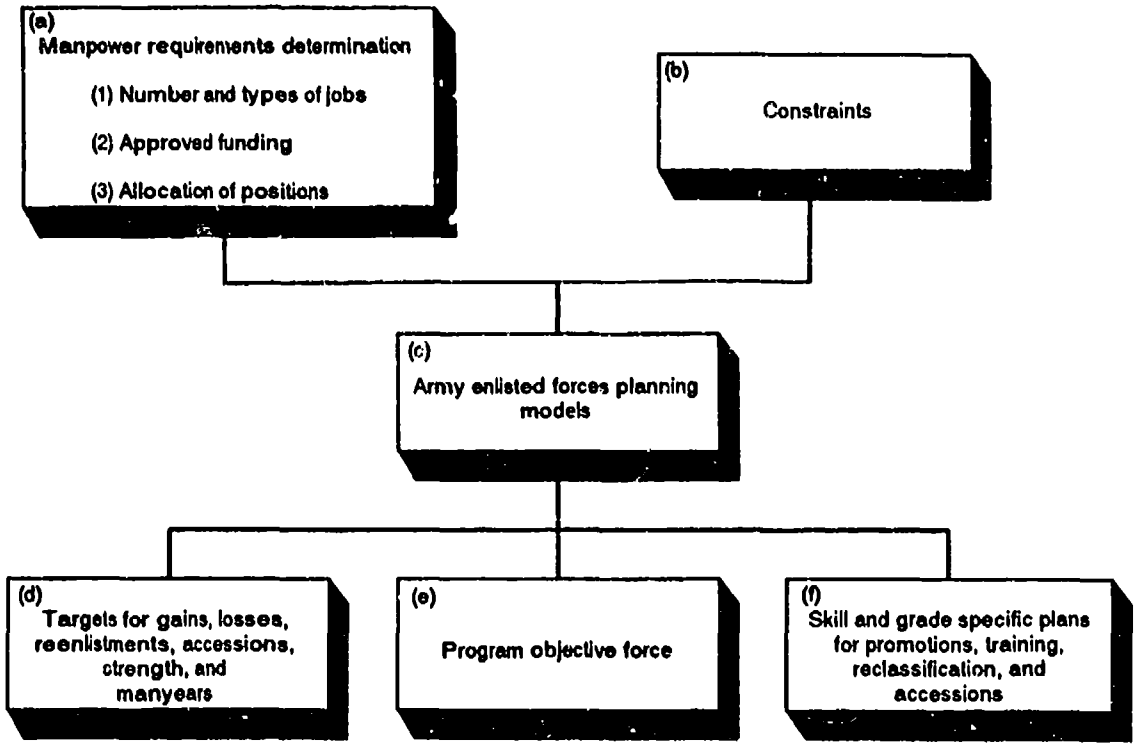
[c] The Analysis Division within the Directorate of Personnel Plans operates the Air Force's force planning computer model, the Enlisted Personnel Objectives model. This model is used to generate projections for losses, strength, promotions, and years of service at promotion. It separates enlisted personnel by grade, years of service, reenlistment category (first term, second term, and career), years to date of separation, and term of enlistment (4, 5, or 6 years). The Force Programs Division within the Directorate of Personnel Programs uses the projections from this model to determine the number of accessions needed to meet force level requirements and to develop the enlisted grade plan. The Plans Division uses this model to develop the program objective force tables submitted annually to OSD.

[d] The Force Programs Division calculates the number of accessions needed to meet force level requirements for the current year, budget year, and 5 program years based on the loss and strength projections from the Air Force computer model.

[e] The Force Programs Division also prepares the grade plan based on strength projections from the computer model. This plan specifies the number of personnel needed in grades E-5 to E-9 for 7 years (current year, budget year, and 5 program years). The percentages for these grades are the following: E-9 = 1 percent, E-8 = 2 percent, E-7 = 6.5 percent, E-6 = 12.5 percent, and E-5 = 24 percent. According to Air Force officials, the percentages for E-5s through E-7s are based largely on historical data and are not fixed, whereas the percentages for E-8s and E-9s are constrained by law.

[1]The Plans Division prepares the program objective force tables based on the projections from the computer model. These tables consist of year-of-service/enlisted grade matrixes for 7 years and tables of the gains, losses, and promotions planned to manage the current force level toward the targets. DOD guidance requires the services to develop and submit these enlisted personnel planning targets annually.

Army Enlisted Force Management Process



[a] The Army process involves determining the size and structure of the force, deriving the associated manpower requirements, obtaining the necessary resources through the budget process, and allocating approved manpower authorizations. The primary offices participating in this process are the deputy chief of staff for operations, the deputy chief of staff for personnel, and the major commands.

[b] Factors that constrain the Army's personnel planning efforts are limitations on funding, grade, occupations, authorized strength, current force level, personnel policies, and other congressional and DOD limitations.

[c] The Force Alignment, Plans and Analysis Division operates the Army's two force planning computer models. The first model, the Enlisted Loss Inventory Model Computation of Manpower Program using Linear Programming, is used to generate monthly planning targets for gains, losses, strength, reenlistments, accessions, and manyears for a 7-year period. The model attempts to minimize the difference between the projected force level and the authorized force level over the 7 years. The second model, the Military Occupational Specialty Level System, is used to generate (1) 7-year plans by occupation and grade for promotions, reclassification, reenlistment, accessions, and training, (2) reports on skill monitoring and alignment efforts, and (3) the program objective force.

[d] The Enlisted Loss Inventory Model produces a report, the Active Army Military Manpower Program, which consists of monthly planning targets for gains, losses, strength, manyears, reenlistments, and accessions for 7 years. This report serves as the basis for the manpower portion of the budget.

[e] The Military Occupational Specialty Level System generates the program objective force. The program objective force consists of year-of-service/enlisted grade matrixes for 7 years and a table of the gains, losses, and promotions planned to manage the current force level toward the targets. DOD guidance requires the services to develop and submit these enlisted personnel planning targets annually.

[f] These specific plans represent the Army's strategy for reaching its 7-year personnel planning targets and are incorporated in the Army's enlisted personnel management plan.

Comments From the Department of Defense

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



FORCE MANAGEMENT AND PERSONNEL

ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301-4000

20 AUG 1990

Mr. Frank C. Conahan
Assistant Comptroller General
National Security and International
Affairs Division
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Conahan:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) Draft Report "ENLISTED FORCE MANAGEMENT: Past Practices And Future Challenges," July 13, 1990, (GAO Code 391111, OSD Case 8415). Except for one finding, the Department agrees or partially agrees with all of the findings and recommendations.

The report provides an assessment of how the Services manage their enlisted forces, comply with DoD enlisted management requirements, and are planning for enlisted force reductions. Although the report does not provide detailed analysis concerning many of the complex issues of personnel management and did not discuss all of the Services, the report represents a constructive assessment of personnel management practices within the Services reviewed, as well as their compliance with Department enlisted management requirements.

See comment 1.

The Department agrees with the recommendation that the objective force needs to include more stable, long term objectives for enlisted personnel management. The planned revision of DoD Directive 1304.20 on the Enlisted Force Management System will establish the requirement for the Services to develop long term objectives in several key areas--such as career content, grade requirements, and promotions.

Although the Department fully recognizes the need to manage to long term objectives, the DoD does not agree it should require the Services to manage to the steady state objective discussed at length in the draft report. Throughout the Department's history, the Services have constantly been adjusting to changing mission requirements, with expansion and reduction in enlisted strengths being the norm. Even if an ideal steady state objective could be developed, it could never be achieved unless nothing changed for 30 years. Consequently, the DoD see the establishment of Service-specific long range personnel management objectives, together with the current requirement for the enlisted objective force, as providing the most effective and efficient way to manage.

See comment 2.

The detailed Department comments on the findings and the recommendations are enclosed. The Department appreciates the opportunity to comment on the draft report.

Sincerely,

Christopher John

Christopher John

Enclosure:
As stated

GAO DRAFT REPORT - DATED JULY 13, 1990
(GAO CODE 391111) OSD CASE 8415

"ENLISTED FORCE MANAGEMENT: PAST PRACTICES AND FUTURE CHALLENGE"

FINDINGS AND RECOMMENDATIONS

DEPARTMENT OF DEFENSE COMMENTS

* * * * *

FINDINGS

FINDING A: **Enlisted Personnel Management**. The GAO reported that, for FY 1991, the Air Force and Army military pay requests for enlisted personnel were $13.2 billion and $17.5 billion, respectively. The GAO observed that the Conference Committee on DoD authorizations, concerned about the issue of troop reductions, directed the Secretary of Defense to make necessary manpower adjustments--but also to prevent a return to the substantially undermanned units of the late 1970s. The GAO noted that current and projected cuts in the Military Services' personnel accounts have already prompted some force reductions. The GAO also noted that, while the DoD has not yet addressed force reductions beyond FY 1991, Army and Air Force planners have been analyzing the impact of substantial reductions by FY 1994. The GAO identified the following potential problems with managing large reductions:

- cutting personnel without programmatic change may lead to undermanning;
- absorbing end strength cuts by reducing accessions can lead to (1) future shortages of experienced personnel, (2) raise average grade level, and (3) drive up retirement costs; and
- separation of a large number or personnel may dampen morale and make military service less attractive.

The GAO reported that the DoD has considered alternatives for revising existing departmental guidance, focusing on devising a standardized approach for controlling the combination of career and first-term personnel in the Services' enlisted forces and managing military reductions. (pp. 10-16/GAO Draft Report)

Now on pp. 8-11.

DoD Response: Concur. While final decisions on force reductions beyond FY 1991 have not been made, the Department has been actively

reviewing force requirements and reduction implications as a part of the Total Force Policy study and the Decision Planning and Review Board process. In addition, neither the Department nor the Services plan on achieving reductions by reducing accessions only. Reductions will be achieved through both reduced accessions and increasing separations.

FINDING B: Force Management Tools. The GAO reported that force management tools fall into four categories--(1) accessions, (2) promotions, (3) retraining, and (4) retention.

- **Accessions.** The GAO found that during the past 3 years, the Air Force and Army have relied primarily on reduced accessions to manage their force levels. The GAO found that, when reductions are necessary, Air Force personnel planners prefer to accomplish them primarily through reduced yearly accessions and voluntary release programs because it minimizes the disruptive impact on those currently in the force. The GAO also found that the Army currently has requirements for more noncommissioned officers than it has in the actual force. The GAO noted that, if actual personnel exceeded requirements, the Army would reduce accessions until the number in the current force equalled the requirement.

- **Promotions.** The GAO reported that a basic premise of Air Force enlisted promotions, which is different from the Army, is equal selection opportunity across occupational specialties--except in critical specialties with chronic shortages, where promotions are 1.2 times the rate established under equal selection opportunity. The GAO noted that Air Force officials regard adjustment in promotion policy as a force management tool which is taken only when other actions are not sufficient.

The GAO found that, in the Army, promotion is a key force alignment tool and promotion opportunities are adjusted by occupational specialty. The GAO reported that, beyond the E-4 level, promotions are (1) based on vacancies within a specialty and (2) controlled by adjusting the number of points needed for promotion. The GAO noted that the Army believes that this has been a key factor in reducing noncommissioned officer imbalances at the military occupational specialty level. The GAO also did note, however, that Army officials pointed out promotion slowdowns have a negative effect on morale and readiness.

- **Retraining.** The GAO reported that the Air Force addresses skill imbalances through two retraining programs--the Career Airman Reenlistment Reservation System (CAREERS), which deals with first term airmen, and the Airman Retraining Program, which covers all

other types of training, including lateral retraining for those specialties that have few or no requirements at the lower grade levels. The GAO noted that noncommissioned officers are selected from career fields with excess noncommissioned officers to retrain for specialties with shortages. The GAO reported that the Army controls a soldier's movement from one specialty to another through a process known as reenlistment/reclassification, whereby a soldier in a surplus specialty can select a shortage specialty. The GAO reported that the Army also has two other programs to balance the enlisted force:

-- the Bonus Extension and Retraining program allowing soldiers to extend enlistment to train in critical shortage specialties; and

-- FAST TRACK, which allows the Army to identify soldiers in surplus specialties and offer them an opportunity to train in shortage specialties.

- **Retention**. The GAO reported retention is a force management tool that allows the Services to qualitatively screen and retain the number of trained personnel needed within the career force. The GAO explained that the primary tool for realigning Air Force noncommissioned officers after their first enlistment is the Career Airman Reenlistment Reservation System. The GAO noted that the Air Force also uses the selective reenlistment bonus program to realign noncommissioned officers.

The GAO reported that the Army has specific criteria for reenlistment eligibility covering (1) age, (2) citizenship, (3) trainability, (4) education, (5) medical and physical fitness, (6) moral and administrative issues, and (7) grade. The GAO found that current Army retention criteria can be made more stringent, or enforced more to help absorb end strength reductions. (pp. 19-25/GAO Draft Report)

Now on pp. 13-16.

DoD Response: Concur. The DoD agrees with the discussion of force management tools (with the technical corrections that were separately provided). In addition, both the Army and the Air Force are aware that potentially larger strength reductions are now possible, which has resulted in an ongoing review of personnel policies and procedures, with changes having been made in some areas.

See comment 3.

FINDING C: How Reductions Are Accomplished. The GAO reported that, when the Services are faced with making a force reduction, personnel planners develop a list of actions available to accomplish the reductions, which is then forwarded through the Service chain of

command. The GAO found that, in FY 1988, the Air Force had to reduce end strength by 30,000 and cut $325 million by reducing accessions and accelerating the release of personnel scheduled to separate later. The GAO noted that end strength reductions have generally been accomplished through reducing accessions, the preferred tool, because those currently in the force are not affected. The GAO explained that outside forces (such as the Intermediate Range Nuclear Forces treaty) or the budget greatly influence the practicality of the options to be used. The GAO found that the FY 1989 budget forced the Air Force to make an across-the-board end strength cut through reduced accessions and early releases.

The GAO reported that Army force reductions are divided into two categories, qualitative reductions and quantitative reductions. The GAO noted that, according to Army officials, end strength cuts imposed with little lead time force them to take actions that are more disruptive to the force, such as early separations and promotion slow downs. The GAO further reported the Army officials also indicated that better personnel planning can occur when cuts are tied to specific force structure changes and a specific time frame. (pp. 25-29/GAO Draft Report)

Now on pp. 16-18

See comment 3.

DoD Response: Concur. The DoD agrees with the discussion of how reductions are accomplished (with the technical corrections that were separately provided).

FINDING D: **Long Range Planning Capability**. The GAO reported that, during the last few years, the Air Force and Army began analyzing long range scenarios to determine the effects of budget cuts and force structure changes on the enlisted force. The GAO further reported that the Secretary of Defense, in November 1989, directed the Services to develop plans to reduce their budgets over the next 5 years in response to the rapidly changing political situation in Eastern Europe. The GAO noted that the Air Force position in the most current program objective memorandum review is to reduce the enlisted force by 80,000 to 90,000 personnel below the FY 1989 level within the FY 1993-FY 1995 timeframe. The GAO reported that Army personnel planners have briefed the Assistant Secretary of Defense (Force Management and Personnel) on how reductions from 70,000 to 125,000 personnel through 1994 will be absorbed. (pp. 29-32/GAO Draft Report)

Now on pp. 18-20

DoD Response: Concur. Both the Army and the Air Force are aware that potentially larger strength reductions are now possible, which has resulted in an ongoing review of personnel policies and procedures, with changes having been made in some areas.

FINDING E: Program Objective Force Has Evolved Into A Moving Target. The GAO reported that the meaning of program objective force has changed from a steady state objective to a more short-term goal, adjusted frequently to reflect projections of the actual force levels--based on historic retention patterns. The GAO concluded that the result of the evolution of the program objective force concept is that the target was adjusted to bring it closer to the projected personnel profile rather than making policy and program changes to bring the profile closer to the ideal target. The GAO compared the fluctuations in the program objective force targets for FY 1988 and FY 1989 and found that it is more indicative of the peaks and valleys of the current force than a long range goal or shift in requirements. The GAO also found that the differences continue for 3 to 4 years, reflecting more the aging of the force levels without management intervention. The GAO concluded that if the program objective force represented long range, steady-state goals, the differences from year-to-year would be relatively small and of shorter duration as management actions are taken to adjust to annual fluctuations in the recruiting and retention environments. The GAO further concluded that the program objective force needs to be used as a target and the DoD should monitor and enforce constraints on the enlisted force structure, particularly the limits on the career force. (pp. 33-35/GAO Draft Report)

Now on pp. 21-22.

DoD Response: Nonconcur. The enlisted objective force has always been a moving target. Throughout the Department's history, the Services have constantly been adjusting to changing mission requirements, with expansion and reduction in enlisted strengths being the norm. It is the Department's view that management to a given steady state model is both unrealistic and unachievable. The enlisted life cycle is 30 years and, as pointed out in the report, the military is essentially a closed system, with no lateral entry except for a relatively small number of prior service personnel. Services are continually responding to changing mission requirements, which results in changing structure requirements and end strengths. Even when a Service end strength is relatively steady over a period of time, the grade and skill requirements are constantly changing. Expansion and reductions in end strength is a fact. The closed 30-year life cycle of the enlisted personnel system is a fact. The result is peaks and valleys. Enlisted management policies and programs can only smooth these. In addition, the enlisted objective force is much more than a simple projection. It reflects the Service enlisted force objective over the Six Year Defense Plan planning period, taking into account not only the current inventory and existing retention behavior, but also Program Guidance issued by the Department, Service objectives, and planned Service personnel

See comment 2.

5

management actions. It reflects how that Service plans to shape its enlisted force, while staying within Department guidance.

FINDING F: Not Managing Within Targets Creates Cycles of Peaks and Valleys. The GAO reported that some of the excess retention in a particular year of service groups can be justified as necessary to cover shortages among preceding groups; however, retention beyond that point actually creates future shortages. The GAO noted that, when the Services retain personnel in excess of their objective targets over a number of years and bring in fewer recruits to stay within their authorized end strength, valleys are created that will exist for a decade or more. The GAO found that the Services' practice of expanding and contracting recruiting to meet personnel level constraints has produced a consistent pattern of peaks and valleys lasting from 9 to 16 years across enlisted grades from E-5 through E-9. The GAO concluded that, while some excess retention was an attempt to cover for shortages of more senior people, the Air Force and the Army retained more junior personnel than needed to cover the shortages--thereby reducing accessions and creating likely future shortages. (pp. 35-36/GAO Draft Report)

Now on pp. 22-33.

DoD Response: Partially Concur. The DoD agrees that excess retention can cause reduced accessions and the creation of a valley. However, policy changes which attempt to increase or decrease retention can equally smooth an existing peak or valley. In addition, the primary reason peaks and valleys develop is the fact that end strengths change and the enlisted system is essentially a closed system (as discussed in the DoD response to Finding E). In some cases, permitting additional retention may be preferred by the Service. The Army reported that the excess retention during the period was an effort to minimize accessions so that a high level of recruit quality could be achieved. The Air Force reported that increasing separations merely to move an inventory closer to an objective line often requires undesirable offsetting actions in other parts of the force.

See comment 5.

FINDING G: Compliance With DoD Enlisted Force Management Requirements. The GAO found that, in general, the Air Force and the Army have complied with the DoD enlisted personnel management requirements. The GAO also found, however, that both Services consistently exceeded the constraints on enlisted force career content, without obtaining the required approval. The GAO reported that the Office of the Secretary of Defense has resolved deviations through the budget review process by reducing Service requests rather than through the force management review process.

The GAO also found that the Air Force has not met the constraints under DoD Directive 1304.20 for (1) program objective force/program operating memorandum consistency, (2) top-6 grade content, and (3) career content. The GAO found that, instead, the Air Force manages the enlisted force to the top-5 grade constraint and considers top-6 constraints obsolete, although the DoD does not consider them obsolete. The GAO also found that for grades E-1/3 to E-4, there were large differences (20,000 for E-1/3 and E-4) between the program objective force and the program operating memorandum. The GAO observed that the actual end strength was close to the two planned levels only in FY 1987. The GAO noted that Air Force officials asserted the constraint on career content obsolete because they only manage the constraints on the top-5 enlisted grades and on E-8s and E-9s.

The GAO found that the Army had met all constraints, except for career content. The GAO noted that the Army attributed the growth in career content to unusually high reenlistment rates, accession cuts, and a lower quality recruiting pool. The GAO also observed the Army does not believe that reenlistments in excess of objective force goals, while cutting accessions, will create unmanageable peaks and troughs in the enlisted force profile. The GAO reported that the enlisted personnel profile in the Army's FY 1988-FY 1992 program objective memorandum closely corresponds to the Army's program objective force for FY 1986, in terms of aggregate strength and strength by grade. The GAO found that the actual career content exceeded the program objective force target in FY 1986, FY 1988, and FY 1989, by 3,640, 15,825, and 18,071, respectively.

DoD Response: Concur.

FINDING H: **Compliance with Requirement for Enlisted Personnel Management Plans**. The GAO reported that both the Air Force and the Army had met or partially met five of the seven plan content requirements. The GAO noted that neither the Air Force nor the Army plans met the requirement for a match between the program objective force and requirements and for cost comparisons. The GAO reported that the Army has the capability to produce cost estimates, but did not provide that information because the Office of the Secretary of Defense had not requested it. The GAO noted that the Air Force does not have the specialty level of detail in the program objective force necessary to evaluate the match with requirements, or the costing capability to produce cost comparisons. (pp. 43-45/GAO Draft Report)

Now on pp. 34-38.

DoD Response: Concur.

Now on pp. 38-40.

FINDING I: OSD Is Revising Guidance On Enlisted Force Management. The GAO reported that the Office of the Secretary of Defense is revising the enlisted force management guidance, placing emphasis on managing enlisted seniority and military reductions. The GAO also reported that the DoD Comptroller is focusing on the top-5 enlisted grade content in its review during the budget process, but does not consider the top-6 enlisted grade constraint obsolete, and reduced the Air Force FY 1991 budget submission $36.3 million for its top-6 grade content.

The GAO also found several instances of the absence of historical records indicating Service submission or the Office of the Secretary of Defense receipt of enlisted personnel management plans and program objective forces. The GAO noted that the revised guidance on enlisted force management will clarify the enforcement of compliance through the budget review process and a requirement to maintain historical records of enlisted personnel management plans and program objective force submissions. (pp. 45-48/GAO Draft Report)

DoD Response: Concur. The DoD Comptroller does give special attention to top-5 enlisted grade content; however, the budget review includes an evaluation of all grades.

FINDING J: Increased Enlisted Seniority and Its Costs. The GAO reported that, in the 1980s and 1990s, the All-Volunteer Army set in motion increases in military personnel costs. The GAO found that enlisted seniority has been steadily increasing since FY 1975. The GAO also found that, despite efforts by the DoD Comptroller to reduce Service manpower budget requests, the growth in enlisted seniority has not been successfully curbed. The GAO reported the following regarding the growth in the top-6 enlisted grades:

- during the Vietnam era, the percentage in the top-6 enlisted grades grew from 53 to 65 percent;
- from 1972 to 1974, the percentage declined, but has since steadily risen to exceed the Vietnam era level;
- in 1985, 66.6 percent of the DoD enlisted force was in the top-6 pay grades;
- the cumulative cost of the increase in the top-6 enlisted grades from 1981 to 1985 was $1 billion;
- in FY 1989 in the Air Force, a record 76 percent of the enlisted force was in the top-6 grades; and

8

-in FY 1989 in the Army, 72 percent were in the top-6.

The GAO concluded that, during the period FY 1986 through FY 1989, both the Army and Air Force proportion of career personnel increased while the total end strengths decreased. The GAO also concluded, during the 3 to 4 years it examined, both Services exceeded their planning objectives for career content. The GAO asserted that a more senior force brings (1) higher current costs, (2) greater future retirement benefits payments, and (3) increased current costs of certain benefits such as medical and housing. The GAO estimated that, for FY 1989, the number of personnel above the planned career content objective increased actual personnel costs by $28.6 million for the Air Force and $32.4 million for the Army. The GAO further concluded that enlisted seniority in the Air Force and Army has continued to grow despite efforts by the DoD Comptroller to constrain it. The GAO reported that the Assistant Secretary of Defense (Force Management and Personnel) has directed the Services to change the way they manage enlisted personnel, but the GAO expressed concern that the most effective mix of junior and senior enlisted personnel may not be achieved. In addition, the GAO concluded that, while the DoD has attempted to constrain the growth in enlisted seniority through the budget review process, it has not established criteria to determine the level of seniority needed. (pp. 48-53/GAO Draft Report)

Now on pp. 40-43.

DoD Response: Partially concur. The DoD agrees with the GAO findings regarding growth in career content since the mid 1970s, the fact that Army and Air Force actual career content exceeded their program objective force from FY 1986 to FY 1989, and the efforts by the DoD Comptroller to constrain career growth. The DoD does not, however, fully concur with the finding on the results of increased career content. The GAO reports only the negative aspects associated with career content, which would lead one to believe the Department should minimize career content. Higher career content also several positive aspects, to include (1) higher readiness postures, (2) a more experienced, and thus a more productive force, (3) an enhanced capability for expanding or mobilizing, and (4) reduced accession and training costs. In addition, increased career content will become a necessity if the emerging new force levels require increased manning of selective units below required levels. Further, the GAO reports career content has increased since the all volunteer force was established in 1973, but does not note that one of the primary objectives of the all volunteer force was to improve retention. Since the early 1970s, growth in career content has been generally viewed by the Department as a positive consequence of the all volunteer force. As the GAO points out, the Department has recently instructed the Services to define the relationship between

See comment 5.

requirements and career content. Once this relationship is defined, a career content objective can be established. That has already been accomplished in the Air Force. The Air Force enlisted management plan, TOPCAP, includes objectives for both grade content and career content. The plan has already resulted in several policy decisions by the Air Force to align existing career content to the objective.

* * * * *

RECOMMENDATIONS

Now on p. 43.

RECOMMENDATION 1: The GAO recommended that the Secretary of Defense require return to the use of the objective force as a more stable, long term target. (p. 53/GAO Draft Report)

See comment 2.

DoD Response: Partially Concur. In the planned revision of DoD Directive 1304.20 on enlisted force management, the Department intends to require that the Services develop a set of long range personnel management objectives in select areas such as grade content, career content, and promotions in addition to the current grade and year of service profile of the enlisted objective force. The Department does not, however, intend to require the establishment of a steady state objective (see DoD response to finding E). Initial staffing of the revised Directive is scheduled for May 1991.

Now on p. 43.

RECOMMENDATION 2: The GAO recommended that the Secretary of Defense require the Services to manage their enlisted personnel more closely to the program objective force target--particularly with regard to the career force--and provide written justification when deviations are necessary. (p. 53/GAO Draft Report)

See comment 6.

DoD Response: Concur. The Department will continue to require the Services to justify when they deviate from their program objective force. This will continue to be accomplished primarily through the Decision Planning and Review Board process and the Department's review of the Service budgets. In addition, once long range enlisted personnel management objectives are established with each Service, justification will be required where the Service Six Year Defense Plan does not plan for the achievement of the enlisted objectives. Each Service will be required to establish personnel management objectives within 1 year of issuance of the revised DoD Directive 1304.20.

Now on p. 43.

RECOMMENDATION 3: The GAO recommended that the Secretary of Defense develop guidance on how to determine the level of seniority needed. (p. 53/GAO Draft Report)

DoD Response: Concur. The Department will develop, in coordination with the Services, guidance on the relationship between career content and grade requirements. This guidance will be included in the revised DoD Directive 1304.20. The revised DoD Directive 1304.20 on enlisted force management will then require that each Service establish an objective for career content (see DoD response to Recommendation 1 and 2).

11

The following are GAO's comments on the Department of Defense's letter dated August 20, 1990.

GAO Comments

1. When we began the review, we were looking at European force reductions that primarily affect the Army and Air Force. Later, when it became apparent that all services would undergo reductions, the Navy and Marine Corps did not have comparable enlisted force management data.

2. DOD misconstrued the discussion in the report concerning steady state objectives, as neither our conclusions nor recommendations called for managing to a steady state objective. We agree with DOD's comment that an ideal steady state objective could not be achieved unless nothing changed over a long period of time. DOD stated that it will revise its enlisted force management guidance to require the services to develop a set of long-range personnel management objectives in select areas such as grade structure, career content, and promotions as well as the current grade and year of service profile of the enlisted objective force.

3. We incorporated the technical information provided by DOD in the text.

4. We do not believe that policy changes have been made on a timely enough basis, as evidenced by the 6-7 year durations of the peaks and valleys.

5. While higher career content may have these positive aspects in the short run, it in effect mortgages the future because when the higher career content eventually leaves the service, the force will have the opposite characteristics. Further, although one of the objectives of the all-volunteer force was to improve retention, it should not be increased beyond the level needed.

6. Because the justifications are presented as discussion in meetings, there is no written record documenting the justifications. Federal government internal control standards require written evidence of all pertinent aspects of transactions and other significant events of an agency. The documentation should be complete and accurate and should facilitate tracing the transaction or event and related information before it occurs, while it is in process, to after it is completed.

Major Contributors to This Report

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